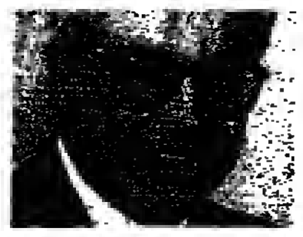
FINANCIAL TIMES

Start the week with...

Hollywood
Hunting for the blockbuster
Christopher Parkes, Page 15



Monday Profile
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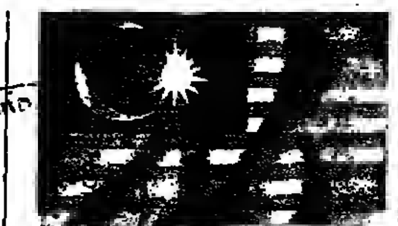

Today's survey
Malaysia
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World Business Newspaper http://www.FT.com MONDAY MAY 19 1997

The second part of our new 12-part series, FT Mastering Finance, appears today. Topics include global accounting problems, cash flow forecasting and capital structures.

JCI and Lonrho discuss $3.2bn mining merger

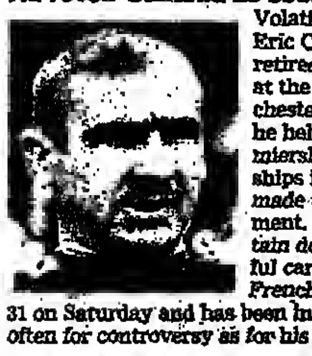
JCI, South Africa's first black-controlled mining house, is in merger talks with Lonrho, the London-listed mining and trading conglomerate, to create a $2bn mining group spanning gold, coal and platinum.

The merger could enable Anglo American, Lonrho's largest shareholder, to acquire Lonrho's coveted 33 per cent stake in Ashanti Goldfields of Ghana, the most profitable gold producer in Africa. Mzi Khumalo, JCI chairman, flew to London last night to continue negotiations that could double JCI's current coal mining interests. Page 16; Profile of JCI chief Mzi Khumalo, Page 18

G7 approval for Russia: Japan is to drop its opposition to Russia becoming a member of the Group of Seven countries, paving the way for Russia to play a full part in next month's G7 Summit in Denver. US President Bill Clinton originally offered to help Russia join the G7 at the Helsinki summit in March. Page 16

Final polls reduce right's lead: The last opinion polls allowed before France's two-stage election on May 25 and June 1 showed the left once again gaining ground on the ruling centre-right coalition. Page 3

Au revoir Cantona as soccer star quits



Volatile football star Eric Cantona (left) retired from the game at the weekend. Manchester United, the club he helped to four Premiership championships in five seasons, made the announcement. It brings the curtain down on a colourful career for the Frenchman, who turns 31 on Saturday and has been in the headlines as often for controversy as for his achievements.

Coffee crisis meeting: Leading coffee producers meet in London today in the shadow of a price rise which they fear could drive more people to drink tea. A recent sharp increase in world coffee prices, which has pushed some futures to 20-year highs, combined with increased demand for tea, means the pressure is on for coffee producers. Page 17

Mayor's TV channel: Moscow mayor Yuri Luzhkov launches one of his grandest projects today when a city-owned company gets its licence to start a nationwide TV channel. The venture could strengthen his position in the unofficial race to succeed Boris Yeltsin. Page 3

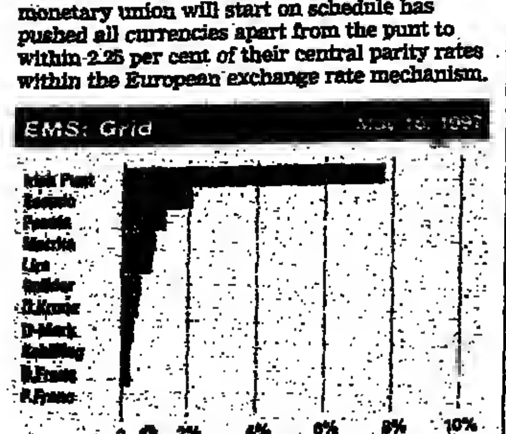
Oracle-Navio deal: Oracle, the world's second largest software company, is expected to announce an agreement to acquire a controlling interest in software developer Navio Communications to enable TV-viewers and home video game players to surf the internet. Page 17

Juventus group plans: The Agnelli family holding company IFI is exploring the possibility of developing a show business sports group focused around Juventus, Italy's most successful soccer club. Page 17

Cannes winners: The Japanese film *Unagi* (The Eel) by Shohei Imamura, and the Iranian film *Ta'me e Gilass* (The Taste of Cherries) by Abbas Kiarostami were jointly awarded the Palme d'Or at the Cannes Film Festival.

European monetary system: The Irish punt remained firm at the top of the EMS grid last week, with the French franc still rooted at the bottom. The market's belief that European monetary union will start on schedule has pushed all currencies apart from the punt to within 2.25 per cent of their central parity rates within the European exchange rate mechanism.

EMS: Grid May 16, 1997



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

EU could outlaw Boeing merger

Brussels to detail fears over deal's impact on competition

By Emma Tucker in Brussels

The European Union is warning privately that it could declare the group created by the proposed merger of Boeing and McDonnell Douglas "illegal" if the US aerospace companies ignore Brussels' concerns about the deal's impact on competition.

Senior European Commission officials have threatened to try to block the merger because of these concerns.

If the Commission persists with its increasingly hard line, the new group could – in theory, at least – face a fine approaching $5bn, and a host of lawsuits. The EU will this week send out its detailed objections to the merger, which would create the world's largest aerospace and defence group.

The warning is likely to add to transatlantic tensions over the proposed merger, which Mr Karel Van Miert, the EU competition commissioner, has repeatedly described as "unacceptable" in its current form.

Both sides have issued threats as the deadline for decisions approaches.

Officials in Brussels say that they fear the merged company would strangle competition in the European market for jet aircraft by strengthening Boeing's already dominant position in the world market.

Unless Boeing produces remedies that satisfy the Commission, the EU is threatening to oppose the merger, even if the deal is cleared by US authorities. A dispute between the regulators over jurisdiction is a result both sides fear.

If this happened, the new company could be declared illegal in Europe, opening it to a Commission fine which could reach 10 per cent of the combined company's $46bn turnover.

"It would take us into some untested and difficult areas," said Mr Alec Burnside, a lawyer at Linklaters & Paines, an independent expert on competition law.

The Commission's list of concerns focus on the existing customer base of the merged company. Officials say Boeing and McDonnell Douglas have supplied 84 per cent of all jet aircraft flying today, which would give the combined group market dominance in servicing and spares.

McDonnell Douglas still has many aircraft in operation in Europe, with SAS, Alitalia and Swiss Air among its customers, and Boeing has a strong market position with many carriers. All would become dependent on Boeing for services and spare parts.

Further, Mr Van Miert has made no secret of his opposition to Boeing's exclusive deals with Delta and American Airlines to supply all of their new aircraft over the next 20 years. A similar deal with Continental is in the pipeline.

Commission officials fear British Airways could be the next candidate: BA has never purchased aircraft from Airbus Industrie, the European consortium, which would be the only big competitor left in the commercial aircraft sector after Boeing's merger with McDonnell.

Boeing says it disputes the Commission's jurisdiction over the merger, but Brussels has argued from the start that the deal will have a huge impact on Europe's aircraft market.

It points to industry figures showing an aircraft market in Europe almost as great as that in the US – potential purchases over the next 10 years of roughly 2,000 aircraft in the EU compared with about 2,500 in the US. In Asia the figure is just under 2,000.

Formula One float could raise $2.4bn, say bankers

By John Griffiths in London

Formula One, the international motor racing business, could float on the London stock market for between $2.4bn and $3.2bn before the British grand prix at Silverstone in July, according to the group's bankers.

Mr Helmut Werner, the former chairman of Mercedes Benz, will become chairman of the Formula One group, with Mr Bernie Ecclestone, the current owner of the business, remaining as chief executive.

Salomon Brothers, the investment bank acting for Mr Ecclestone's F1 group of companies, has told City analysts that final obstacles to the flotation have been resolved. These included a row with leading grand prix teams about their share of Formula One revenues and what stake these teams would have in the floated company.

Prospectuses for the flotation could be available at the end of this week, although the complexity of the deal could lead to late changes to the offer's timetable and valuation.

Half of Formula One Holdings is to be floated with Mr Ecclestone retaining 30 per cent and the racing teams collectively a further 10 per cent.

The Paris-headquartered FIA, the world governing body of motor sport, will have the remaining 10 per cent in exchange for extending for 25 years the commercial rights to F1 it ceded to Mr Ecclestone's companies.

The rest of the management team has also been agreed. Mr Marco Piccinini, Ferrari's former team manager and sporting director, will become deputy chief executive.

Finance director is to be Mr David Wilson, a former Ladbroke director. Non-executive directors include Mr Walter Thoma, Philip Morris' European operations chief, and Mr Robert Rowley, finance director of Reuters.

City analysts were told recently that this year's turnover for Formula One Holdings was likely to be about $320m, with pre-tax profits of about $140m. Analysts say turnover would need to increase significantly if the group is to merit a valuation of around $3bn.

The high valuation on the business is based heavily on projected earnings from pay-per-view TV. Digital television over the next few years will make it possible for F1's 100m-plus regular viewers to switch at will between cameras on cars, on the track and in the pits while watching each season's 16 or 17 races.

The float's organisers argue that this could lift total revenues for the company to $1bn-plus over the next five years.

Ousted Mobutu 'will be hunted down'

By Michela Wrong in Kinshasa and William Hall in Zurich

Civilians in Kinshasa welcome rebel soldiers as they march into Zaire's capital to take over key government buildings Picture: Reuter

Zaire's new regime led by Laurent Kabila yesterday threatened to hunt down ousted leader Mr Mobutu Sese Seko as the new government in Kinshasa started to gain diplomatic recognition.

"With us, he will never be in peace. Wherever he goes, we will find him," said a spokesman for Mr Kabila in Paris yesterday.

Kenya said yesterday it would recognise a government formed by Mr Kabila, whose first act in power was to change the name of Zaire to the Democratic Republic of Congo. The Organisation of African Unity also acknowledged Mr Kabila's victory in the long-running civil war.

In Washington, the State Department called on Mr Kabila to establish a broadly based government leading to elections. France, Mr Mobutu's most loyal western ally, signalled frosty future relations by warning it would be "closely monitoring" the new regime and would judge it according to its acts.

Switzerland, which yesterday said it would probably reject a visa request from Mr Mobutu, imposed a one-year freeze on all Swiss-held assets of the former president and his family. The move came only a day after Swiss authorities blocked any change in ownership of Mr Mobutu's luxury villa at Savigny, overlooking Lake Geneva.

The whereabouts of Mr Mobutu were unknown last night, with a family friend claiming he was still at his palace in Gbadolite, while Moroccan officials said he had checked into a Rabat hotel.

Finding a European country of asylum may prove difficult for the ailing ex-president. Liechtenstein, responding to reports that Mr Mobutu might travel there before moving to France, said he was not wanted.

Earlier yesterday, fighters of the Alliance of Democratic Forces for the Liberation of Congo (AFDL) flushed out the last pockets of resistance and tried to prevent looting on Kinshasa's western outskirts.

Some 3,000 AFDL reinforcements had marched through the city's embassy district. The young fighters – a disparate force of Zaireans, Rwandans and Ugandans – were exhausted by their trek across one of Africa's largest nations.

"I have to keep them moving," said a commander. "They are only boys and they will fall asleep if they stop."

It was not clear when Mr Kabila himself would arrive to claim the conquered city. He was due to receive Mr Thabo Mbeki, South African deputy president, and Mr Mohamed Sahnoun, UN envoy, at his operational base in Lubumbashi.

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US defence chief set to call for large staff cuts

By Bruce Clark in Washington

Mr William Cohen, the US defence secretary, will today unveil a landmark defence review expected to call for the axing of dozens of military bases and reductions of thousands of personnel in order to free funds to modernise the US defence arsenal.

Mr Cohen yesterday said arms procurement was running $15bn a year below requirements, while the armed forces had 15 per cent more bases than they needed. His remarks were a foretaste of the Quadrennial Defence Review, which is expected to correct the imbalance and may well cut some of the most expensive US weapons programmes.

Mr Cohen said the review would aim to keep the US military "agile and flexible", and balance its readiness for today's threats – which include Iraq and North Korea – against preparations for high-technology wars of the next century.

Despite the emphasis on modernisation, cuts are expected to be made in procurement of the latest F-22 stealth fighter for the US Air Force and the US Navy's newest F/A-18 E/F fighter-bomber. Funds for developing the next generation Joint Strike Fighter may also be reduced.

The three programmes would total $350bn if they continued unaltered – a figure widely thought to be unaffordable without a large rise in US defence spending.

There will be a shift towards buying new weapons and away from maintaining current forces. The administration, under pressure from Republicans to step up arms procurement, pledged at the beginning of the year to increase annual spending on arms purchases from the current $42bn to about $60bn by 2002.

A boost to development of defences against the threat of ballistic missiles is likely to be one of the main modernisation proposals in the review.

Mr Cohen has described the review as a bid to "keep the tooth and cut the tail" in the country's 1.4 million-strong armed forces.

But the "tail" is made up of military bases whose location and size has always been one

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NEWS: NEW ERA IN ZAIRE

Economy is a disaster: inflation is 750% and gross national product per capita is less than $100

A poisonous legacy of poverty and anarchy

As he embarks on the bitter life of the exile, President Mobutu Sese Seko can take comfort in one malevolent thought: the nation he leaves behind is in a state of anarchy.

Nowhere is his inheritance more poisonous than in the economic sector. For Mr Laurent Kabila and the Alliance of Democratic Forces for the Liberation of Congo (AFDL), winning the war will prove far easier than reforming an economy which long ago fell off the scale of what is considered normal.

"The economic situation is disastrous," acknowledges Mr Jose Endundo, head of Zaire's Business Association. "We will have to make a clean sweep and start again."

Zaire, renamed by Mr Kabila the Democratic Republic of the Congo, is the African country that gave potential a bad name. Rich in cobalt, copper, gold, diamonds, uranium, its mineral wealth dwarfs that of South Africa. Its rivers offer abundant hydroelectric power and its oil reserves remain largely untapped. Its fertile land could be a regional breadbasket, its virgin forest a huge source of timber. By rights it should be one of the continent's economic powerhouses.

The reality is somewhat different.

By 1994, World Bank figures show, Zaire's economy had shrunk to its 1958 level, while the population had tripled to 45m. If the country had simply sustained pre-independence growth rates, gross national product today would be $1,400 per head. Instead it has fallen below $100.

Bulky wads of notes that pass from hand to hand attest to the hyperinflation that haunts Zaireans' lives. Last year it was 750 per cent, but that paled in comparison to 1994's 9,800 per cent, with the result that across the nation, the only currency regarded as trustworthy is issued by a foreign country: the dollar.

Frozen in time, the economy is dominated by loss-making parastatals whose contribution to state coffers declines with each passing year.

The state had become little more than a leech on a population dependent on wheeling and dealing: "little presents" paid for services rendered and subsistence farming to survive.

The informal sector has expanded to embrace even banking, with commercial banks holding just 8,000 accounts. This tangled mess is what the AFDL will take over at precisely the moment when its desperately needs fresh injections of cash to reward fighters kept loyal with promises of future remuneration.

The movement will also come under pressure to spend on another front. Rebuilding the dilapidated roads, repairing the railroad, tackling some of the $3bn in annual reconstruction work the World Bank estimates is needed.

But where is the money to come from? Both Gecamines, the copper-producing parastatal and MIBA, the majority state-owned diamond company, applied in recent years for tax concessions because their finances were so parlous. And although the mining contracts the AFDL recently signed with foreign companies have attracted huge publicity, few involve cash on the nose.

"The only quick way Kabila will be able to raise money will be to widen the tax base, which is very, very thin," predicts a Kinshasa banker.

That will not be easy. Unable to administer a tax system boasting a European level of complexity, the state long ago confined itself to milking dry a dozen parastatals and high-profile multinationals.

Experts estimate that if properly managed, the Ofida customs office and the Direction Générale des Contributions tax office, which each collects a monthly $10m in revenue, could bring in 5-10 times as much. But as the ANC has learnt in South Africa, changing tax avoidance habits is hard.

"Kabila cannot impose tax collection overnight without taking a high political risk," says a businessman. "If he doesn't have a strong political base to put an unpopular message across, he will be in trouble."

Other steps crucial to long-term profitability – trimming a bloated administration and privatising the state giants – also carry inherent dangers.

Masters of the jobs-for-the-boys principle, Zaire's incoming premiers doled out civil service positions to thousands of fellow tribesmen before their swing-door administrations departed.

As a result, Zaire boasts an army of 120,000 and a civil service of 600,000: drivers for ministries that have no official cars, typists who never turn up for work, secretaries who leave at midday for their real jobs.

The central bank alone employs 3,000 people, compared with the 2,000 staff in the private banking sector.

Paid spasmodically but hanging on in the hope of eventual pensions, each worker supports an extended family.

Sackings will not enhance Mr Kabila's popularity. Mass sackings will also be necessary at the parastatals if they are to find private buyers.

And the question of just who will pick up the companies' massive debts has to be settled before Zaire's "mammoths" can be sold.

Restoring capacity at Gecamines to 300,000 tonnes of copper a year from the current 38,000 would involve picking up a $2bn debt and investing over $1bn, the World Bank estimates, a formidable disincentive to any purchaser.

But until the AFDL signals its seriousness about such reforms, it is unlikely to lure back the international institutions and potential lenders scared away by President Mobutu's shifty ways.

A total of $14bn in foreign debt currently makes it virtually impossible for the country to tap new credits. The World Bank pulled out in 1994, the same year that the International Monetary Fund suspended Zaire from its board for debt non-payment.

These institutions will be ready to give a new administration a fighting chance. But like Zaireans themselves, they will be watching for any hint of old habits resurfacing.

So far the signs from the AFDL have been decidedly mixed.

Assurances by Mr Mwana Nanga Mawampanga, the AFDL's US-educated finance "minister", that the AFDL favours private enterprise and a free market economy, were welcome from a movement led by a former Marxist.

But the sacking of MIBA and Gecamines' executives smacked of interventionism.

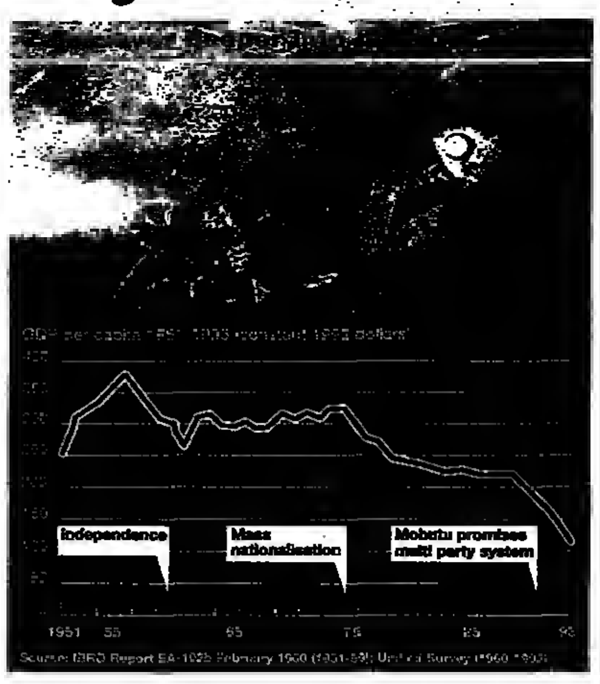
And the recent closure of Sizarail, the foreign-owned management company that revitalised Shaba's railways, reminded many Zaireans of the disastrous nationalisations of the 1970s.

"For the first time people thought Kabila's Maoism could make a comeback," says Mr Endundo. "We don't know the reasons behind the Sizarail decision it but it will very soon prove to be a mistake."

"This is probably the hardest economy in Africa to reform because Kabila will be fighting against habits and behaviour established over decades," says a banker.

"But if the alliance cannot deliver on the economic front, its political gains will vanish very quickly indeed."

Michela Wrong



Left: A soldier of the invading army of Laurent Kabila executes a man in the capital Kinshasa yesterday. Why he was killed is unclear Reuter

DIARY OF A REBEL TAKEOVER: **Michela Wrong**

Fall of Kinshasa took less than a day

Midnight, Friday May 16 1997: Gunfire in the west of the city, coming from Camp Tsha-Tshi, hillside barracks of the special presidential guard (DSP), abandoned by both President Mobutu and its commander.

***

04.45 Saturday: Woken by Dutch colleague, who says General Mahele Bokungo, the army chief whom the US was counting on to arrange a "soft landing" for the rebels, was killed at Camp Tsha-Tshi during the night. While we sleep, the Hotel Intercontinental is surrounded by armoured cars and Mobutu's son Kongolo, a high-ranking DSP man, comes hunting for those he blames for his father's fall. One of the intended victims is our neighbour on the hotel landing. Luckily, management blocked the lifts and Kongolo left. General Likulia Bolongo, the premier, is said to be hiding in French embassy.

***

06.30 Dawn: Kinshasa is covered in a thin mist and ominously quiet. Rebel leader Laurent Kabila claims his men have entered the city. Moments later, an embassy confirms two columns of rebels are heading in from the airport.

***

07.00 Breakfast: The maître d'hotel is unaware of the night's events and listens bug-eyed to the news. A diplomat gives a sombre analysis. "Mahele was the linchpin of the soft landing. Now the three generals who told Mobutu to get out of town are either dead, gone or in hiding."

***

07.30: CNN reports truckloads of retreating Zairean soldiers streaming to town from airport.

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08.00: Panicking Zairean women, their hair in a mess, are rushing from floor to floor with plastic bags crammed with documents. The taxis normally outside the hotel have not turned up and our room cleaner has disappeared. There are shots now very close to the hotel.

***

09.00: Two mini-vans and several expensive cars, full of DSP bristling with weapons, start unloading luggage at the hotel. Young children in pyjamas are being bundled inside. A military contact says rebels, "instantly recognisable in their black wellington boots", have reached the dual carriageway into town. Tsha Tshi is emptying as the DSP head for the western port of Matadi, he claims. But in fact most seem to be rebasing at the hotel, including Kongolo himself. The prospect of the Hotel Intercontinental becoming the site of the DSP's last stand makes us nervous. A television crew that tries to leave the hotel is roughed up by the DSP.

***

10.00: Reporters at the Hotel Memling in the centre of town say soldiers are streaming into the centre, many removing their uniforms. Kongolo tells journalists the army will not resist the rebels. This sounds more reassuring.

10.15: The Hotel Intercontinental, it emerges, is being used as a way station by the DSP as they move their families towards the port and wait for boats to neighbouring Brazzaville. It is vital they should be allowed to leave. But: Washington is reported to be pressing multi-national forces in Congo to start evacuating expatriates. This could make things worse rather than better.

***

10.30: A convoy of DSP jeeps and minivans leaves the Hotel Intercontinental, headed for the river port. Those on it have changed out of their uniforms into civilian clothing. All young men in hotel's confines are now in casual wear. The rebels have reached Limete, the opposition stronghold. CNN reports looting by civilians in the centre of town, but it seems mild by Zairean standards.

***

11.00: CNN reports that Kabila, speaking in Lubumbashi, has declared himself head of state. A second DSP convoy heads towards the port. A missionary says 3,000 rebels are passing through the industrial area.

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12.00: The BBC says Kabila has announced that the army chiefs have promised to co-operate and that he plans to form a government in three days time. Reuters says Kongolo and 20 DSP have fled to Brazzaville by speedboat.

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12.30: General Likulia appeals to government soldiers to return to barracks. Shortly after he flees to Brazzaville with other notables.

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13.30: Rumours circulate that Kinshasa's military governor, the minister Kamanda wa Kamanda and the head of intelligence have all three been assassinated by DSP.

***

15.00: Tour of the city in a UN vehicle. Driving through crowds of Zaireans shouting: "We're free, we're free" and waving white handkerchiefs, we run into rebels outside the sports stadium. They are polite, very young, and to anyone used to visiting Rwanda, they look very much like Tutsis. A shot-out BMW is in the middle of the road, with three dead soldiers nearby.

***

16.30: On the river road we find the convoy Konogolo used to reach his motor-launch. The cars have been stripped of tyres, spare parts and seats by looters. There is shooting around the port area, where government soldiers are still stationed. Our UN team advise the ones we meet to lay down their weapons and surrender.

***

17.00: At Mount Ngaliama clinic, we find the morgue holding the bodies of General Mahele and his bodyguard. Written in chalk on a small blackboard is the simple message "Cl Mahele". Back in the hotel, our diplomat friend says: "It's all over".

***

19.00: Tracer bullets visible in the night sky over Tsha-Tshi and the elite residential district of Binza, where remaining DSP are looting the villas and settling scores as the rebels approach.

***

20.00: Rebels on "Kinshasa radio" tell soldiers to report to AFDL command centres the following day. The Hotel Interncontinental is full of families from Binza – perhaps the most well-heeled refugees in the world. Our neighbour, having survived an assassination attempt, is having a party.

***

07.30 Sunday morning: Room cleaner is back. He says all Mobutu's "girls" left hotel yesterday.

***

08.30: Walking outside to hunt down a taxi, we bump into the rebels. A column of several thousand stretches as far as the eye can see along the river road. They ask if there are any soldiers around, then trudge towards Binza. The hotel has been liberated. We went to sleep in Zaire and woke in the Democratic Republic of the Congo. The takeover of a capital of 5m has taken less than a day.

> 'The hotel is surrounded by armoured cars and Mobutu's son Kongolo comes hunting for those he blames for his father's fall... our neighbour having survived an assassination attempt is having a party'

A political opportunist who remains an enigma

By Michela Wrong

Mr Laurent Kabila first came into the public eye as one of many spokesman for the rebel Alliance for the Democratic Forces of Congo (AFDL) movement'a opinions. Later he was dismissed as just a puppet manipulated by foreign governments. Now France compares him with Pol Pot and US officials wonder darkly whether he could prove a more brutal dictator than President Mobutu.

If the past seven months have seen an extraordinary rise to power by Mr Kabila, they have not shed much light on the 56-year-old AFDL leader and self-proclaimed head of the newly baptised Democratic Republic of Congo.

Despite his jovial manner, accessibility to the international media and propensity for delivering impromptu speeches in captured towns, the stocky former revolutionary remains an enigma, studiously vague about his beliefs and policies.

The appointment of "commissars" to head the AFDL and staging of "re-education" sessions by a ministry of propaganda point to an unreformed Communist, but emphasis on free enterprise and private investment suggest someone adapted to a new era.

The truth may be more complex: that Mr Kabila is a political opportunist swayed by pressures from his coalition partners and those governments backing his uprising. This could explain why he has proved unable to halt the brutalities against Hutu refugees that have so horrified the west.

For Mr Kabila, the overthrow of Mr Mobutu represents the fulfilment of a 30-year ambition. As a young man, he was a devoted supporter of Mr Patrice Lumumba, Zaire's post-independence prime minister. When the premier was assassinated he joined others in launching the Simba revolution of 1964.

Following the revolt's defeat, Mr Kabila set up a mini-state in the mountains west of Lake Tanganyika where his followers traded gold and ivory and ransomed a group of kidnapped US and Dutch students to survive. It was there he established links with the Banyamulenge Tutsis whose disenfranchisement sparked the AFDL's October uprising, allowing Mr Kabila to realise what seemed an impossible dream.

Doubts about the intentions and capabilities of his movement blossomed as the rebels marched across Zaire, not least the fear that once the AFDL's unifying aim – Mobutu's departure – was fulfilled, the four-party coalition risked falling apart.

Founded in the eastern town of Lemera, the alliance is an awkward conglomeration of Mr Kabila's own – formerly Marxist – Popular Revolutionary Party; the National Council of Resistance for Democracy composed of guerrilla fighters from east Kasai; the People'a Democratic Alliance, Tutsis from north and south Kivu; and the Revolutionary Movement for the Liberation of Zaire from tribes around Bukavu.

Kabila: once a Marxist

Mr Kabila 's origins holds out some hope. From the southern Shaba province, he is a Luba, from the same ethnic group as opposition leader Mr Etienne Tshisekedi. As such he has the potential to act as a unifying force.

But his haughty behaviour during the abortive summits with Mr Mobutu, which angered the US and South Africa, raise fundamental questions about his statesmanship and have convinced many analysts he lacks the qualities required to hold the huge nation together.

Fresh setback for France in Africa

Embarrassed Paris foreign office deplores takeover and calls for early elections

By David Owen in Paris and Michela Wrong in Kinshasa

Paris was yesterday struggling to come to terms with the fall of President Mobutu Sese Seko and the embarrassing setback for French African policy that it is almost universally thought to represent.

A foreign office statement released on Saturday night called for early elections and said France was awaiting "serious commitments" on what it termed the humanitarian problems in eastern Zaire.

"The French authorities deplore that the negotiated political solution supported by the entire international community did not prevail," the statement said. France would "define its relations" with the new Kabila government in accordance with that government's actions, the statement read.

Mr Hervé de Charette, the French foreign minister, on the campaign trail in the run-up to Sunday's first-round voting in the French general election, similarly sought to highlight the need for prompt elections in Zaire. "France wants elections to take place in Zaire because the crisis cannot be ended by force," he said.

But with the French left already seeking to exploit the situation with promises to "transform" the country's African policy, government officials were evasive when asked whether France would offer sanctuary to the fleeing former dictator or seek to freeze his French assets.

Many observers believe the government will be reluctant to offer Mr Mobutu shelter at least until after the elections for fear his presence on French soil could be an election issue.

France has a very slender economic stake in Zaire. At FFr400m ($68m) last year, two-way French trade with Zaire was a third of its 1990 level and far behind that of Belgium and the US, as is French investment in the country.

In common with other leading international powers, France had until recently in effect ostracised Mr Mobutu for his autocratic rule and record on corruption and human rights.

But the dictator regained Paris's favour in 1994 when he allowed French troops to use bases in Zaire for their operation to stop revenge massacres of Hutus in Rwanda following the genocide of Tutsis and moderate Hutus.

Some believe that France's unwavering support of the deposed dictator in the current crisis persuaded him he could survive and kept him hanging on when it was clear to the rest of the world he would have to go.

Mr Mobutu's initial line - that he would only stand down for an elected president produced by elections - is understood to have come straight from Paris. His subsequent offer to hand over to Archbishop Laurent Monsengwo, the parliamentary speaker, who was to preside over a broad-based interim authority, was similarly seen very much as a French position. According to one Zaire-based diplomat, it seemed designed to allow the "survival of Mobutuism without Mobutu".

The rebels rejected both positions and came in, as they always intended to, as a conquering force. It was always clear to neutral observers that they had not fought a seven-month war to wait for elections organised by Mr Mobutu or to share power with his entourage.

"The French resisted to the very last," according to one diplomat. "Their policy seems to have been frozen in time."

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French fury at threat to cotton duties

By Emma Tucker in Brussels

President Jacques Chirac of France is demanding an emergency meeting of European Union ministers this week to protest at member states' refusal to reimpose anti-dumping duties on imports of unbleached cotton.

The French leader, who has promised to preserve jobs in the French textile industry during the country's election campaign, told Mr Jacques Santer, the European Commission president, that the removal of duties would be unacceptable.

The duties were imposed late last year following a Commission dumping investigation, launched after persistent lobbying led by French and Italian cotton weavers, who claimed the imports were sold at unfairly low prices.

France is furious that other member states, led by Britain, failed to support – at meetings in Brussels last week – a Commission proposal to extend for a further five years duties of up to 36 per cent on imports of the cotton.

Britain argued that thousands of jobs in its textile sector would be at risk if companies had to continue paying the duties.

The row now threatens to sour French relations with Britain and Germany, which changed sides to back the UK last week ahead of a week of EU negotiations on the new Treaty of Amsterdam.

EU diplomats said yesterday that President Chirac phoned Mr Santer several times last week to express his anger. He said France wanted a special meeting of ministers and was prepared to raise the issue tomorrow when foreign ministers meet in The Hague to discuss the new Treaty, and again if necessary on Friday when heads of government meet.

The EU's 15 members have been split for months over whether to confirm provisional dumping duties on imports of the unbleached cotton worth £400m ($650m) a year from India, Indonesia, China, Egypt, Pakistan and Turkey.

Unbleached cotton is a basic component of textiles and clothing, which is dyed and printed by manufacturers to make clothing and home furnishing.

The duties have been criticised by European textiles and clothing manufacturers, which said the resulting increases in the price of unbleached cotton imports forced them to cut jobs in the EU and move production elsewhere. Opposition to the measures has been led by Britain.

Final French polls reduce right's lead

By David Buchan in Tulle, Andrew Jack in Tourette Levens and David Owen in Paris

Mr Lionel Jospin, the Socialist leader, yesterday warned the French people against returning to power for five more years a government that had not kept its word over the past four on unemployment or defence.

Mr Jospin's comments came as the last opinion polls allowed before the two-stage election – to be held next Sunday and on June 1 – showed the left again gaining ground on the ruling centre-right coalition.

The surveys indicated that the governing RPR/UDF coalition was likely to hold on to enough seats for an overall majority, but that its margin of victory would be much reduced from its 1993 landslide.

An Ifop poll published in yesterday's Journal du Dimanche suggested the centre-right could win 305-345 of the 555 constituencies in mainland France against 210-248 for the left. Ifop also reported an eight-point improvement to 39 per cent over the past month in the approval rating of President Jacques Chirac.

Mr Jospin yesterday invaded the Chirac territory of Corrèze, where the Socialist spokesman, Mr François Hollande, is seeking to regain his seat in the town of Tulle.

Mr Jospin said Mr Chirac could not be taken at his word. Referring to the problems at the state-owned Giat arms factory in Tulle, where 150 of the 800 workers are losing their jobs, Mr Jospin said the right had four years ago promised to raise defence spending, only to cut it "brutally" last year.

Mr Jospin said Corrèze's vital agriculture provided another justification for Socialist insistence that European monetary union should include Italy and Spain from the start. If it did not, French farm exports, including veal calves from Corrèze, would be hard to sell in southern Europe.

Mr Charles Pasqua, the rightwing former French interior minister, meanwhile stepped up his hostility towards a rapid move to monetary union. In a meeting organised by the RPR-UDF in the village of Tourette Levens near Nice, Mr Pasqua said the creation of a single currency should wait until the largest possible number of EU states were willing to take part.

He argued that "every effort should be made" to ensure the UK was among those states participating in view of its importance as a financial centre, and said he "could not imagine for a single minute" the idea of a single currency which did not include the Mediterranean countries.

Mr Philippe Séguin, the Gaullist Eurosceptic seen as a possible successor to Mr Juppé, appears to be continuing to adopt a more positive stance on Europe.

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Jospin appealing to voters at the weekend not to give the right five more years of power AP

Moscow mayor launches own TV channel

By Chrystia Freeland in Moscow

Mr Yuri Luzhkov, the ambitious mayor of Moscow, today will launch one of his grandest projects yet, when a city-owned company gets its licence to start up a nationwide television channel.

The media venture could greatly strengthen Mr Luzhkov's position in the unofficial race to succeed Mr Boris Yeltsin, the Russian president, which is already consuming the energies of the country's most powerful political figures.

Centre TV, Moscow's multi-million dollar TV venture – which will include terrestrial, cable and satellite channels – has also underscored how crucial control of the airwaves has become in Russia's fragile democracy.

The journalists who have been assembled to pull together the new TV station, a group which includes some of Russia's most respected reporters, admit that Centre TV is being created to push the capital city's political agenda.

"I think that for Moscow, for the political and economic interests of Moscow, the existence of such a channel is vitally necessary," said Mr Anatoly Lysenko, the head of the Moscow city committee on telecommunications and mass media and one of the main organisers of the channel.

The city's decision is a reflection of how highly politicised Russian television has become and the extent to which each channel has become the property of a particular politician or political grouping.

Mr Luzhkov once enjoyed close relations with Mr Vladimir Gusinsky, Russia's most powerful media baron, and reaped accordingly generous coverage, but over the past two years that relationship has soured.

Mr Luzhkov also has a long-standing history of conflict with Mr Anatoly Chubais, currently first deputy prime minister and one of the leaders of the reform team now dominant in the Kremlin.

These political disputes, and the hostile attitude towards Mr Luzhkov which they have brought to the nation's airwaves, are one reason why the ambitious mayor has opted to set up his own channel.

To acquire the rights to a national channel, the city-owned Centre TV paid between $1m and $5m – Mr Lysenko would not be more specific – to the station which previously operated it.

The city plans to plough millions into developing the company, and hopes to attract private investors, including foreigners, although it will maintain a controlling stake. The city also plans to offer shares to Moscow city residents in an effort to stoke up municipal pride in the project.

EUROPEAN NEWS DIGEST

Budget rift for Bonn coalition

Rifts within Germany's governing coalition opened up yesterday over the country's budget problems as Mr Theo Waigel, finance minister, set the end of June as a deadline for agreement on measures to plug 1998 shortfalls.

The rows follow recognition that Germany's difficulties extend well beyond this year, when the country hopes to meet the Maastricht treaty criteria for joining in the planned single European currency. Official estimates last week predicted a DM118bn ($69bn) shortfall in budgeted revenues between now and 2001.

The arguments between the Free Democratic party and other members in the coalition led by Chancellor Helmut Kohl came after last week's admission that Bonn is planning a revaluation of Germany's gold and currency reserves so as to smooth the way towards meeting the budget deficit and debt criteria for qualifying for monetary union. *Ralph Atkins, Bonn*

Kinkel in Bosnia threat

Mr Klaus Kinkel, Germany's foreign minister, has threatened to curb financial help for rebuilding Bosnia if Sarajevo authorities do not show a greater readiness to take back refugees who fled to Germany.

His warning follows a debate over the estimated 320,000 refugees who came to Germany and, according to foreign office estimates, have cost DM14bn ($8bn) since 1991. Mr Kinkel said the plans for returning those still in Germany needed a "clear push". *Ralph Atkins*

Builders' strike averted

The threat of Germany's first construction strike for nearly 50 years has been averted after employers and trade unions agreed on new sick pay terms for the 1.1m workers in the industry. IG Bau, the building union, had held out for a lower reduction in sickness pay than the employers originally offered, though there was no disagreement on a 1.3 per cent pay rise from April .

Under the deal agreed at the end of last week, pay will be cut only for the first three days of illness to 80 per cent of full income, starting on June 1. In return, the union agreed that holiday bonuses would be cut to 25 per cent of pay from 30 per cent. *Andrew Fisher, Frankfurt*

UN fears on Turks' incursion

Iraq's United Nations co-ordinator yesterday expressed concern over Turkey's incursion into northern Iraq, saying it might block implementation of Iraq's oil-for-food deal with the world body.

Several thousand Turkish troops backed by tanks and heavy artillery have pushed into northern Iraq since Wednesday in a sweep against rebels of the Kurdistan Workers' party (PKK).

"We are concerned about this development since it may produce an even more volatile security situation in the north, the UN co-ordinator said. Mr Kofi Annan, UN secretary general, urged Ankara to pull out its troops at the weekend. F-16 jets bombed rebel positions in the Iraqi mountains yesterday, while a column of Turkish tanks moved north-east from Dohuk to Amediye, in what appeared to be preparations for a second prong of attack.

The Turkish military said it has killed nearly 1,000 guerrillas so far for the loss of 12 members of the security forces. *Reuter, Ankara*

Clinton sets Aids vaccine goal

By Bruce Clark in Washington

US President Bill Clinton yesterday set the goal of developing a vaccine for Aids within a decade and announced the establishment of a vaccine research centre at the National Institute of Health.

In a speech reminiscent of President John Kennedy's pledge in the 1960s to send a man to the moon, Mr Clinton said: "If the last 50 years were the age of physics, the next 50 years will be the age of biology."

Addressing a commencement ceremony at Morgan State University in Baltimore, a mainly black college, he said: "Let us set a new national goal for science in the age of biology. Today let us commit ourselves to developing an Aids vaccine within the next decade."

Clinton: acknowledged Aids challenge from developing world is sharply rising

But in contrast with President Kennedy's decision to inject billions of dollars into space research, Mr Clinton's promise was less a spending promise and more a "challenge" to the private sector and other members of the Group of Seven leading industrialised nations.

The target could reopen some hard questions about priorities in the fight against Aids, which disproportionately affects the poorest parts of the US population, including the black community, and the poorest parts of the world.

The number of deaths from the syndrome in the US showed its first significant fall last year since the 1980s, and a cocktail of expensive drugs designed to slow the onset of full-blown Aids has achieved impressive results.

However, as Mr Clinton acknowledged, the challenge from Aids in the developing world is sharply rising, even as it retreats slightly in the US.

"Aids will soon overtake tuberculosis and malaria as the leading infectious killer in the world," he noted, adding that the number of people infected had grown by 3m to 29m in the last year alone. Some 95 per cent of the new cases were in the world's poorest areas.

But Dr Robert Gallo, one of the scientists who discovered the Aids virus, expressed doubt last week about the feasibility of finding a vaccine.

"We have to say it is a serious possibility that we will never succeed with a vaccine against HIV," he told a symposium in Washington.

Administering the "cocktail" of drugs to millions of people in the developing world would require a huge input of funds and political will from the western world.

A vaccine could be a more efficient alternative – but the drug companies which spent vast sums on developing the "cocktail" have yet to be convinced that a vaccine is feasible enough to be worth committing research funds.

By making an address to one of the first US colleges to admit significant numbers of African-Americans, Mr Clinton linked two themes – race and education – which he has pledged to highlight in his second term.

Mr Clinton's success last week in nailing down the details of an agreement to balance the budget by the year 2002 will give some protection to some of the president's favourite projects in education and the environment but will also have limited his room for manoeuvre. This means that public policy initiatives, such as yesterday's crusade against Aids, are more likely to involve millions of federal dollars than billions.

Total denies Iran deal

By Robin Allen in Tehran and Agencies

Total of France yesterday denied that it had signed a $3.5bn oil and gas contract with Iran, only hours after the deal had been announced by Mr Ali Akbar Velayati, Iran's foreign minister.

Mr Velayati said the National Iranian Oil Company (NIOC) had signed the deal with Total to develop the South Pars offshore national gas field in the Gulf, the biggest contract with a western company since the 1979 Islamic Revolution. South Pars and Qatar's North Field form part of the same reservoir, reputedly the world's largest single natural gas field.

However, a Total representative in Tehran told news agencies that the company "has signed no contract" with the Islamic republic. Sources in Tehran also said the Iranian oil company was still conducting negotiations with international companies to develop South Pars.

Total is Iran's largest foreign partner in the oil sector since it signed an accord in July 1995 to develop another offshore field, the Sirri, after the US company Conoco backed out because of Washington's sanctions against Iran. The US, which accuses Tehran of international terrorism, passed the D'Amato law in August to penalise non-US companies investing more than $40m in Iran's energy sector. The South Pars deal could come under the provisions of the D'Amato legislation.

Mr Velayati made a point of stating that several US oil companies had attended an oil conference in Iran last week, despite the threat of US sanctions. "These companies were worried about being pushed aside by Total and Elf," he said.

Total, which has been involved in the Middle East for 70 years, has said it had no restrictions on its choice of business partners and would not become involved in political games.

● Europe's only representative at ambassadorial level, Mr Ludovico Ortona of Italy, yesterday left Tehran. Iran and the EU have been at a standoff since the EU recalled all its ambassadors on April 10, following a Berlin court verdict which held the top Iranian leadership responsible for the 1992 assassination of Iranian Kurd opposition figures in Berlin.

Mr Ortona and Mr Jean-Pierre Masset of France were the first two senior European diplomats to return to Tehran on April 29, when the EU decided to send ambassadors back while suspending the EU's "critical dialogue" with Tehran. Only Mr Ortona had reached Tehran by the time Iran announced it would not accept the return of the German ambassador, and relations with the EU at senior diplomatic level were once again frozen.

Americas free trade talks get green light

By Geoff Dyer in Belo Horizonte, Brazil

Trade ministers from 34 countries in the Americas have agreed that detailed negotiations over the creation of a free trade zone for the region should start next year, but failed to decide on how the talks should proceed.

Following a compromise between the US and the Mercosur trade grouping, the ministers agreed that talks to set up a Free Trade Area for the Americas (FTAA) "should" begin in March 1998, but left open the "objectives, approaches, structure and venue" of the negotiations.

Mr Luiz Felipe Lampreia, Brazil's foreign minister, described the declaration as a "partial agreement".

"We have not solved a number of issues, but some very important topics have been agreed upon," he said, after the meeting in the Brazilian city of Belo Horizonte.

"No one's position has been prejudiced," said Mr Peter Allgeier, associate US trade representative.

However, diplomats also said the agreement would give momentum to the FTAA talks. A senior US trade official said that the process was now "irreversible" and pointed to the creation of so-called "preparatory committees" for the negotiations, which he said were a crucial stage in the Uruguay Round of trade talks.

The FTAA talks have been held up by the disagreement between the US, which wants to begin discussions on reducing tariffs next year, and Mercosur, whose members are Brazil, Argentina, Uruguay and Paraguay, which want to start with talks on making business easier and only move to discussions about tariffs at a later date.

Trade ministers have now given themselves until their next meeting in Costa Rica in February next year to reach an agreement on a schedule for negotiations, which are then due to start after a heads of state summit in Santiago, Chile, the following month.

A senior Mercosur official said that negotiations on substantial issues could not start before the US government had received so-called "fast track" approval from Congress, which would prevent legislators from amending any final treaty.

However, Mercosur diplomats said that the declaration had been worded to show a strong commitment to tha FTAA from Latin American countries, in order to persuade doubting members of the US Congress about their seriousness.

The US position at the Belo Horizonte meeting was complicated by the admission last Wednesday by the White House that it would be very difficult to get "fast track" approval this year.

However, the US government argues that "fast track" should not be a precondition to beginning the talks.

Diplomats also admitted that the meeting showed the growing confidence of the Mercosur trade grouping, which is now holding membership talks with Peru and the Andean Community of countries. Chile and Bolivia are already associate members of Mercosur.

Leaders from the 34 countries – Cuba is excluded from the group – agreed at a summit in Miami in 1994 to set up a hemispheric free trade area by 2005.

South Africa to crack down on insider trading

By Mark Ashurst in Johannesburg

South Africa is poised to introduce tough new legislation to combat insider trading, following publication of a draft insider trading bill by a government task team.

The proposals are designed to improve confidence among foreign investors wary of regulatory structures in Johannesburg markets, where there has not been a successful insider trading prosecution since it was outlawed in 1973.

Mr Mervyn King, chairman of the task group, proposed a broader definition of insider trading to allow civil prosecutions. Concerns over the adequacy of existing statutes had been justified, he said.

The burden of "proof beyond all reasonable doubt" required for a criminal conviction had frustrated previous attempts to seek prosecutions for insider trading, he said.

Convictions in a civil court were possible if it could be proved "on the balance of probabilities that a dealer must reasonably have known" the source of his information.

The task group recommended that all offenders pay a penalty of three times the among of profit gained, or loss avoided, from trading on the basis of information obtained illegally. Criminal liability should incur a fine of R2m ($450,000), four times that imposed by the current statute, or 10 years' imprisonment, said Mr King.

Policing of the Johannesburg markets had been further frustrated by the introduction of electronic trading which ensured the anonymity of traders, and by the existence of separate regulatory bodies for the equities, bonds, and derivatives markets.

The draft extends the definition of insider trading to include encouragement of a third party to deal, discouragement, and tipping. It proposes all markets be regulated by a single body, the Financial Services Board, which, as in the US, would have powers to plea-bargain with an accused person willing to turn state witness.

Morocco may not close Mideast office

By Roula Khalaf in Marrakesh

Morocco has reconsidered a move to close the secretariat which oversees the US-backed Middle East and North Africa (Mena) economic summits, after a US pledge to bolster the role of the institution.

Two weeks ago Mr Mustafa Terrab, secretary general of the secretariat, said it was likely the secretariat would be closed after the collapse of the peace process had deprived it of its purpose.

But Morocco reversed its decision after the US called for a meeting of the Mena summit steering committee on May 8. The US promised $100,000 in aid to strengthen the role of the secretariat and reaffirmed the linkage between the economic and political processes.

The Israeli government's policies have forced Arab states hosting economic summits to deviate from the original purpose set in the first Casablanca gathering in 1994 – to translate political progress into a peace dividend and foster economic ties that would, in turn, facilitate peace.

Last year's Cairo summit was downgraded to a "conference," promoting regional Arab integration and showcasing Egypt's economic success.

A similar event is scheduled to be held in Doha, Qatar, later this year.

The moves, however, have upset Morocco, which maintains that if the summits continued to be held they should be used to try to relaunch the peace process. It also marginalised the role of the secretariat, which was supposed to follow up on the summits by building public-private partnerships.

At the World Bank Mediterranean Development Forum held over the weekend in Marrakesh, Mr Marc Ginsburg, the US ambassador to Morocco, said that the Mideast region was in dire need of a peace dividend as well as in need of a way to promote integration.

Mr Terrab said that the Moroccan approach to the summits did not run counter to the Arab foreign ministers' March recommendation to freeze normalisation with Israel.

"A freeze in normalisation does not mean we should stop talking about normalisation," he said.

At the Marrakesh forum, participants in a panel organised by the US Council on Foreign Relations to evaluate the benefits of tha economic summits agreed that the three summits held so far had helped push economic liberalisation in the host countries, but had contributed little to advancing the peace process.

"The summit in Doha will be a make or break situation," said Mr Mohamed Smadi, secretary general of Jordan's ministry of industry and trade.

"Either people will feel that there is something in it for them or it will be the end of summits."

INTERNATIONAL NEWS DIGEST

Immigration 'aids US growth'

Immigration has helped keep US economic growth strong, increasing the labour supply, restraining wage growth for low-skilled workers and lowering the prices of goods and services, according to a study published at the weekend by the National Academy of Sciences.

The study, funded by the US Commission on Immigration Reform, a Congressionally appointed panel, provides an authoritative assessment of a sensitive political topic: whether immigrants cost more than they contribute to US society. Last year Congress sharply cut welfare benefits to immigrants, on the grounds that they consume more social services than they pay for in taxes.

The study found new immigrant families receive more in publicly funded services than they pay in taxes, because they have more children requiring educational services. They pay less tax because they own less property and earnings are lower.

But over their lifetimes, immigrants will provide a net fiscal benefit, the study says, because as younger workers they will "help pay the public costs of the aging baby boom generation". *Patti Waldmeir, Washington*

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US aluminium probe ends

An investigation into whether aluminium producers violated US anti-trust law when they made production cuts in 1994 has been officially closed by the US Justice Department, which is taking no action.

Producers made cuts after a meeting of trade delegates from Australia, Canada, the European Union, Norway and Russia, as well as the US, signed a memorandum of understanding in Brussels in February 1994.

The delegates concluded the industry needed to cut primary output by about 1.5m tonnes a year to bring the aluminium market back into balance following a collapse of sales in Russia, where the material was mainly used for the production of military equipment.

Ironically, the US Justice Department was involved in the trade talks. *Kenneth Gooding, Mining Correspondent*

Arab homes plan attacked

Palestinians yesterday condemned Israeli plans to demolish hundreds of Palestinian homes in the Israeli-occupied West Bank. The Palestinian information minister, Mr Yassir Abed Rabbo, called the move "ethnic cleansing" aimed at destroying the peace process and likely to spark violence.

An Israeli military official in the West Bank said hundreds of "illegally built" structures were going through a legal procedure, and would be demolished or approved. He said 140 of about 800 such buildings were razed last year.

The peace process has been stalled since Israel began building the Har Homa Jewish settlement in east Jerusalem about two months ago. Mr Dennis Ross, the US Middle East envoy, at the weekend ended a nine-day mission to the region that failed to break the deadlock. Meanwhile, Mr Yassir Arafat, the Palestinian leader, appealed to President Bill Clinton to intervene and salvage the peace process. *Avi Machlis, Jerusalem*

Jordan press law tightened

King Hussein of Jordan has unveiled tough revisions to the country's press law, tightening restrictions on reporting and stiffening fines for offenders, just days after lashing out at the "deteriorating morals" of journalists.

A weekend decree follows criticism by the king of the numerous weekly opposition papers which authorities accuse of being mouthpieces for foreigners undermining national stability.

The decree prevents non-Jordanians from editing newspapers, raises financial hurdles for newspaper owners and cancels a pledge to sell the state's controlling stake in the top-selling newspaper, Al-Rai. The revised law also forbids journalists from writing about Jordan's armed forces and security services. *Reuter, Amman*

Cubans can rent out property

Cuba's government has issued a law that allows Cubans to rent out houses to tenants, including foreign visitors. The new legislation comes into force on July 15. Private landlords will be required to pay taxes on their rental income, whether in Cuban pesos or hard currency. They must also register foreign tenants with the immigration authorities.

The new law expands the existing legislation, which allowed only limited renting of rooms. An increasing number of Cubans had started renting out houses to tourists and other foreign visitors. This was tolerated, but the law said renting activity needed to be brought under state control.

The legislation prohibits Cuban homeowners from renting to companies, foreign diplomats or representatives of foreign firms or organisations accredited in Cuba. This will affect foreign businessmen on the island forced to rent privately while they wait for the Cuban state to provide them with rented accommodation. *Pascal Fletcher, Havana*

Shanghai firm may face dealing curb

By James Harding in Shanghai

China's leading securities firm is expected this week to be barred from dealing on its own account as punishment for a series of trading irregularities on the Shanghai stock market.

Shenyin and Wanguo, which was formed out of the company at the heart of a 1995 price-rigging scandal in the bond futures market, is now being investigated following allegations of irregular trading in the local equities market.

Shanghai stock exchange officials say that Shenyin and Wanguo has been involved in what they broadly term "speculative trading" and expect "an investigation and punishment to be announced by Beijing very soon".

The latest embarrassment to China's fledgling bourse has cast a shadow over the future of Mr Yang Xianghai, head of the Shanghai stock exchange.

"The stock exchange president will take some responsibility for this issue, but we do not expect him to be punished," said one exchange official, insisting that Mr Yang would not be asked to stand down.

The action against Shenyin and Wanguo is likely to come as part of a package of measures intended to damp China's volatile markets in Shanghai and Shenzhen.

A handful of other securities firms are also likely to be barred from trading on their own accounts and new registration procedures are being considered to curb market speculators.

Share prices have risen about 50 per cent since the beginning of the year, despite stern editorials in the official media warning that the markets are overheated and widely circulated rumours of an impending crackdown on share trading.

Last week, the government's intervention – the suspension of trading in the shares of several firms in Shenzhen and Shanghai and news of a vast new supply of stock diluting the market in 1997 – depressed prices significantly for the first time in months and traders forecast further measures would follow.

Mr Zhou Daojiong, chairman of the China's Securities Regulatory Commission, is thought to be under pressure to step down, a sign of the government's irritation at the regulator's largely ineffectual attempts to temper the market.

A Shenyin and Wanguo representativa declined to comment on reports that Mr Kan Zhidong, general manager, would carry the blame for the trading irregularities, saying only that: "There are many rumours outside the company. Inside, things are going normally."

Shenyin and Wanguo was formed after a government-backed merger last year bringing together Shanghai Shenyin and Shanghai International, the flamboyant securities firm that in 1995 took a position far exceeding exchange limits on a bond futures contract in a attempt to control the price.

Shanghai exchange officials saw the latest incident as part of the maturing process of China's six-year-old exchange, adding: "These kinds of cases will teach people a lesson in how to behave in the market."

Kim apology awaited as son jailed

By John Burton and Peter Montagnon in Seoul

Mr Kim Young-sam, the South Korean president, is expected this week to apologise to the nation and admit campaign finance violations, following the imprisonment of his son on influence-peddling and tax evasion charges.

The weekend arrest of Mr Kim Hyon-chol, known as the "crown prince" because of his role as one of his father's closest advisers, represents the climax of a corruption scandal that has shaken the government since the beginning of the year.

The junior Mr Kim, 38, the president's second and youngest son, was charged with accepting Won3.2bn ($3.5m) in bribes from three companies and failing to pay taxes on a political slush fund he controlled.

The son's problems have severely damaged the credibility of the president, who came to power promising to reduce widespread corruption.

Mr Kim is expected on Wednesday to comment on allegations about illegal political donations and excessive spending during his 1992 presidential election campaign, which the junior Mr Kim helped to manage.

President Kim Young-sam: came to power on an anti-corruption ticket

"We spent much more money than was legally permitted, but this was the system that I'm trying to correct now," said one senior presidential aide in summing up the president's message.

The government's troubles began in January with the collapse of the Hanbo steel group under nearly $6bn in debts. This led to the allegations that senior government officials had been bribed to press banks to lend to the financially shaky, but politically well connected, conglomerate.

Eleven senior businessmen and politicians, including three top aides of President Kim, are on trial for their involvement in the Hanbo scandal. Several other politicians are expected to be arrested shortly.

The opposition alleged that the president's son helped coerce the banks to give loans to Hanbo as a reward for campaign donations of up to $100m from Hanbo's founder.

Although prosecutors cleared the junior Mr Kim of any involvement in the Hanbo scandal, their investigation uncovered evidence of other cases linked to him, involving the issuance of broadcast licences by the government.

Hanbo and related corruption scandals have resulted in a sharp fall in the president's popularity, prompting some speculation that he may be forced to resign before his single-term presidency ends in February 1998.

"No one wants a constitutional crisis, particularly when the country is facing serious economic and security problems," said a western diplomat. Senior politicians in the government and opposition parties have so far resisted calling for Mr Kim to step down prematurely.

"The government has lost its moral leadership and the scandals have damaged the aura of the civilian government," admits a senior presidential aide. "It has become politically tough to steer the nation's policies, while the government has lost the confidence to proceed with reforms."

The scandals have immobilised the Blue House, the presidential mansion, just as an economic slowdown and growing instability in North Korea call for strong leadership.

Moreover, a transfer of power is already under way. The ruling New Korea party is expected in July to select its candidate for the presidential election in December.

Recent opinion polls suggest any of the governing party's leading contenders will win the presidential election even if the two main opposition parties unite behind a single candidate.

The president's troubles, however, have weakened his ability to select a successor as the party'a candidate. The frontrunner for the nomination is considered to be Mr Lee Hoi-chang, one of the president's main rivals.

Mr Lee, a former supreme court judge, rose to prominence by leading an anti-corruption drive during the early days of Mr Kim'e administration. But after being appointed prime minister he fell out with the president by criticising Mr Kim for being too autocratic.

It was Mr Lee's reputation as incorruptible that forced Mr Kim to select him as party chairman when the corruption scandals began to taint the administration earlier this year.

Several Kim "loyalists" are competing for the nomination. They inclnde two other prime ministers, Mr Lee Soo-sung and Mr Lee Hong-koo.

A government victory in the December presidential poll would be likely to derail efforts by the opposition to introduce a parliamentary system of government similar to that in France.

The opposition has argued that the recent corruption scandals reveal the need to reduce the strong executive powers of the presidency by improving the system of checks and balances.

If Mr Kim makes it safely through to the end of his term, he must still worry about possibly being prosecuted on corruption charges after leaving office. This would be similar to the fate he imposed on his two immediate predecessors, who went to jail on bribery and sedition charges.

Jakarta parties try to cool violence

By Manuela Saragosa in Jakarta

Supporters of rival parties contesting Indonesia's parliamentary elections on May 29 clashed yesterday, prompting heads of three political parties in the Jakarta area to issue a statement cancelling mass outdoor rallies in the capital for the rest of the campaign.

But an official of the Moslem-oriented United Development party (PPP) said it was still possible people could take to the streets again in illegal parades.

PPP supporters at the weekend defied a government ban on banners and T-shirts suggesting an alliance between their party and the ousted pro-democracy leader, Ms Megawati Sukarnoputri.

Pro-Megawati banners and chants have become a highlight of many PPP rallies since Mr Murdick Sangidoe, chief of the PPP chapter in the Javanese town of Solo, met Ms Megawati earlier this month.

The authorities regard Ms Megawati's unexpected appearance as a vote-puller in the elections as an unwelcome development, after they successfully barred her from contesting a seat.

Political observers say the authorities feel the growing alliance between Ms Megawati and the PPP threatens the otherwise tightly controlled election campaign, in which only the PPP, the Indonesian Democratic Party (PDI) and the ruling Golkar party have been allowed to contest seats. All candidates have been vetted by the government.

Golkar – one of the pillars of President Suharto's support – expects to win a sixth five-year term, with party officials trying to capture 70 per cent of the vote.

Thailand plans budget cuts

By Ted Bardacke in Bangkok

Thailand plans to cut Bt26bn ($1bn) from its 1998 fiscal budget as a pre-emptive move on what is expected to be a large deficit next year and announced a new Bt50bn private-sector funded support fund for the country's sagging stock market.

The bndget cuts, which will reduce 1998 expenditure to a projected Bt982bn, reflect an expected slowdown in revenue collection as Thailand's economy continues to slow. Most economists believe revenne will be even lower than this and the government's economic team will meet this week to consider new taxes and further spending cuts.

The finance minister, Mr Amnuay Virawan, said at the weekend the country's commercial banks would establish the fund to intervene in the market and boost investor confidence. The fund would be gradually financed by Thai commercial banks and would enter the market in stages, he said. Brokers said they expected sentiment to be boosted immediately.

Mr. Amnuay also expressed confidence the stock market level had reached its floor. The SET index was up 3.32 at 561.19 at Friday's close.

In other moves to bolster the sagging economy, the minister said commercial banks had been asked to cut interest rates by one to two percentage points. The government and private sector have co-operated in several stock market support funds recently bnt none has stemmed the fall in the market, down over 60 per cent since the beginning of 1996.

Lex Comment, Page 16; Global Investor, Page 20

PUBLIC NOTICE

SCOTTISH EQUITABLE POLICYHOLDERS TRUST LIMITED

NOTICE IS HEREBY GIVEN that the fourth ANNUAL GENERAL MEETING of Qualifying Policyholders of Scottish Equitable Policyholders Trust Limited will be held at the offices of Scottish Equitable plc, Edinburgh Park, Edinburgh EH12 9SE on Thursday 29 May 1997 at 2:15 pm for the following purposes:

1. To consider the Report on the activities of the Company for the year ended 31 December 1996.
2. To approve the aggregate ordinary remuneration to be made available to the Directors of the Company.
3. To reappoint Directors of the Company retiring by rotation at the Meeting, namely:
   (a) Mr C F Sleigh
   (b) The Rt Hon Lord Younger of Prestwick.

Any Qualifying Policyholder who is entitled to attend and vote is entitled to appoint another person (who need not be a Qualifying Policyholder) as his proxy to attend and vote instead of him. A proxy is entitled to vote but is not entitled to speak except to demand or join in demanding a poll. Proxy forms, which can be obtained from the Company Secretary (at the following address), must be deposited at the Registered Office at Edinburgh Park, Edinburgh EH12 9SE before 2:15 pm on 27 May 1997.

Every Qualifying Policyholder whose policy, as at the commencement of the Meeting, is in force, and has been at least one year in force, is entitled to attend and vote at the Meeting.

"Qualifying Policyholders" for the purposes of this Notice has the meaning set out in the trust deed executed by the Company on 31 December 1993 and extends to:-

(a) any person who was a member of Scottish Equitable Life Assurance Society and whose policy has been transferred to Scottish Equitable plc;
(b) any person who has a with profits policy with Scottish Equitable plc where the policy has been linked to the With Profits Sub-Fund for a continuous period of at least one year as at the commencement of the Meeting

Any queries in respect of the qualification of policyholders to attend and vote at the Meeting should be addressed to the Company Secretary (at the address specified below).

By Order of the Board

PH Grace

Managing Director
Edinburgh Park
Edinburgh EH12 9SE

NEWS: UK

Departments in row over World Bank role

By Robert Chote, Economics Editor

The Treasury and the newly created Department for International Development are embroiled in a dispute over which of them should handle Britain's relations with the World Bank.

The Labour Party said before the election that responsibility should be transferred from the Treasury to the new department, which has been created by separating the Overseas Development Administration from the Foreign Office.

But Labour's Treasury team has always been reluctant to cede responsibility for the World Bank – which lent $22bn (£13bn) last year to finance development projects around the world.

At present, Mr Gordon Brown, the chancellor, is Britain's governor at the World Bank and the International Monetary Fund, both based in Washington. Mr Gus O'Donnell, a Treasury official and former press secretary at Downing Street, the prime minister's office, is on the executive boards of both institutions.

The development department wants its secretary of state, Ms Clare Short, to be governor of the World Bank and to appoint Mr Alan Coverdale, one of its economists who has worked on central Africa, to replace Mr O'Donnell as director on the World Bank board.

Treasury officials argue that it is useful to have the same person representing Britain at both institutions, particularly when they are working together on issues such as poor country debt and financial stability in emerging market economies.

Mr Huw Evans, a former Treasury official who served as executive director until earlier this year, does not believe his old job should be split. "I think it would be bad both for the UK's influence in the World Bank and for the amount of attention that development and World Bank issues would get in the government," he said.

Opinions differ both within and outside the development department as to Mr Coverdale's suitability for the job. "He is a perfectly good economist, but he is no Gus O'Donnell," one senior Whitehall official said.

One compromise proposal was to split the executive directorships, but to give Mr O'Donnell management responsibility for the joint office. This ran into resistance in Washington, however, on the grounds that it would signal the UK thought the World Bank less important than the IMF.

Some officials believe the most likely outcome will be to make Ms Short governor of the World Bank – so she would attend its ministerial meetings – but leave Mr O'Donnell as director for both institutions, reporting to two political masters.

Red tape and skills shortage attacked

By Peter Marsh

British small to medium sized companies are being held back more than most other European businesses by skills shortages and red tape from health and safety legislation, according to a survey published today.

A study, by Grant Thornton and Business Strategies, two business consultancies, has found that 53 per cent of UK enterprises said that lack of skills prevented them taking on recruits. The comparable figure for the whole of the European Union was 48 per cent.

Tackling the issues of skills shortages and unnecessary red tape "must be high on the list" of the Labour government if it wants to underline its pro-business stance, according to Mr Andrew Godfrey, head of development services at Grant Thornton.

More encouragingly for UK industry, the study of more than 5,000 companies across Europe produces evidence that low employment taxes and the lack of regulations over hiring and firing are providing a better platform for growth than in other parts of Europe.

Only 17 per cent of UK companies say employment taxes stop them from taking on more employees. The figures for France and Germany are 63 per cent and 77 per cent respectively, while the average across the EU is 55 per cent.

Fewer than 50 per cent of UK companies cite labour regulations as a factor inhibiting recruitment. Such laws are mentioned by 57 per cent of all EU businesses. In Germany and France, 59 per cent say labour laws cramp their inclination to recruit staff.

Just one in 100 UK companies believes trade union restrictions stop them recruiting, while the EU average is 13 per cent, rising to 16 per cent in Germany and 42 per cent in Finland.

Contractors urge rights for employees

By Alan Pike, Business Services Correspondent

Contracting companies have asked the government for urgent legislation to establish that employees' rights are protected when service contracts change hands.

The call from the Business Services Association, which represents some of the largest companies in the sector, comes amid growing concern that contractors may face huge redundancy bills unless the law is clarified.

This follows a decision by the European Court of Justice in March that the EU Acquired Rights Directive, implemented in UK law by the 1981 Transfer of Undertakings Protection of Employment Regulations (Tupe), did not automatically apply when contracted services changed providers.

Tupe means that staff transfer between companies on existing terms and conditions. Until the European Court's decision in March, previous judgments had appeared to establish that it applied not only to business transfers but to fixed-term contracts. Most UK public sector contracts are let on a Tupe basis.

Many contracting companies opposed Tupe, but the association says in a memorandum to ministers it has changed its view "as the benefits of Tupe have become apparent." Employment protection provided a stable and certain environment for contractors, employees and government, and ensured continued emphasis on quality and value-for-money.

Tupe prevented contractors cutting wages and benefits to win contracts, and there were advantages for responsible companies. "Past experience has shown that when contractors engage in drastic cost-cutting practices the result is inferior service, an antagonistic relationship over service standards with local authorities and poor contractor image," the association says.

Mr Norman Rose, the director-general, said that provided governments met the minimum standards of the EU directive, they could legislate more widely. Early action was necessary to end uncertainty and safeguard companies that had, in good faith, taken on contracts in the belief that Tupe applied.

Without Tupe, companies would be unable to transfer employees when they lost contracts, making them liable for redundancy costs – including those accumulated from previous employers. The association is calling on the government to compensate contractors facing "onerous redundancy payments".

Trevor Humphries

Liffe hopes that re-organising the available space will relieve some of the congestion in its pits for dealers and make it much easier for trades to be done

Dealers face top step bar at exchange

By Samer Iskandar

London's futures and options exchange is planning to prevent dealers executing trades for their own accounts from standing on the top step of the trading pit.

Liffe will next month introduce the "top step" rule on an experimental basis for six months in an effort to improve efficiency on its busiest pit, where traders exchange futures contracts on long-term German government bonds – bunds.

"It's a hell of a crush in that pit," said a local – a trader who speculates with his own money.

"There is a tendency to try and stand as high as we can."

Trading pits are circular and slope downwards towards the centre in steps – somewhat like a Roman amphitheatre.

The bund pit has seven different levels. Standing on the top step, towering several feet above other traders' heads, offers a strategic advantage. "When more people can see you, you get more trades done," the local said.

Under Liffe's initiative, the top step will be reserved for brokers executing trades for their clients. "This should make it easier to get business in and out of the pits," said Mr Mark Eynon, managing director at SBC Warburg and deputy chairman of Liffe. "The aim is to make the environment more efficient."

The Chicago Mercantile Exchange, one of the busiest derivatives exchanges in the US, pioneered the top step concept in May 1987 on the pit where futures on the S&P 500 share index are traded. In recent years it has extended the rule to several other pits.

"The initiative has mads it much easier to transmit orders to the traders," said a CME official.

"The floor is less congested and there are fewer runners. Orders are increasingly 'flashed' [through hand signals] from the booth directly to the trader."

It is likely that Liffe will also extend the rule to other pits.

"The six-month trial is just a formality to make sure the dynamics of the market are not affected," said a senior banker in London. "If all goes well, we could see this extended to other pits by next year."

The booth is a small open office from which colleagues communicate with their company's headquarters or with outside clients.

Traders spend most of their time on the trading pit.

Orders from the booth as well as trade confirmations are typically carried by runners taking slips of paper back and forth.

Liffe is hoping the top step rule will alleviate its space problems.

The exchange admits that faster-than-expected growth in activity has caused a shortage of space.

Members recently agreed to take an option on a site in the City of London where the exchange could build a 100,000 square foot trading floor.

The exchange currently has 44,000 square foot.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Abbey National Treasury Service FRN. 2002 £1,587.71
Aol Advertising Promotion FRN. 1998 $3,008.45
Arcolectric (Hldgs.) 0.882p
Do. A Non. Vtg. 0.882p
British Goverment Stocks 10$% Treasury 1999 £5.25
British Mohair Hldgs. 4.1p
BTM Finance Tranche A Dual Basis Bds. 2004 $30,363.05
Do. Tranche B Gtd. Dual Basis Bd. 2004 $30,111.66
Citicorp $0.525
Estates & General 0.4p
European Investment Bank 7.875% Ln. 2003 IR£3.9375
Guinness Peat Grp.0.2p
HSBC Hldgs. $26.80
IMI PLc 8p
Korea Exchange Bank $7,670
McBride 2.35p
National Westminster Bank Junior Gtd. FRN. $150.09
Do. Var. Rata Cap. Nts. 2008 $146.88
Peninsular & Oriental Steam Navigation Co. 7¼% Conv. Bds. 2003 £36.25
Spirax-Sarco Engineering 10.3p
Toyobo Co. FRN. 1998 Y19,590
Travis Perkins 7p
Yrutyspankki Skop Var. Nts. $159.47

■ TOMORROW

AVCO Tst. FRN. 1998 £155.73
Bank of Scotland undated FRN. Cap. $289.10
Blue Circle Inds. 6⅞% Sub. Conv. Bds. 2002 £68.75
British Goverment Stocks 12% Exchequer 1998 £6
Do 2½% Ind. Link. Treasury 2003 £2.441
Do 2½% Ind. Link. Treasury 2009 $2.441
British Investment Tst. 4.6p
Caterpillar $0.40
CMG 4p
Dolphin Packaging 4.5p
Fennica No.1 Asset Bkd. FRN. 2025 $2,902.52
Do. Class B Asset Bkd. FRN. 2025 $3,063.41
Fennica No.2 Asset Bkd FRN. 2025 FMk22,834.70
Do. 8.32% Asset Bkd. FMk40,377.80
Do. Asset Bkd. FRN. 2024 24,678
Fintrust Debenture Deb. 2023 £4.625
Glaxo Wellcome 4.75p
Do. 14.25p
Graham Grp. 3.8p
Guinness 11.55p
Hodder Headline 4.5p
Hydro Quebec 8.625%Debs. 2002 $431.25
KPN - Fl1.85
Portugal (Republic of) 9% 2018 £225
Royal Bank of Scotland Grp. FRN. 2005 £76.96
Sandvik AB Skr.6.50
Secure Tst. 14p
Skandia Insurance SKr2.75
Tele-Cine Cell Grp 1.8p
United Carriers Grp. 1.8p
Wells Fargo $1.30

■ WEDNESDAY MAY 21

Bluebird Toys 6.75p
Burn Stewart Distillers 1.7p
Canon Inc. 5.85% Nts. 1997 Y585,000
Edinburgh Fund Mngrs 17p
Emess 0.4p
Merrill Lynch $0.40
Mitsui O.S.K. Lines 6% Bds. 1999 Y600,000
Molins 15.5p
Moorfield Estates 0.25p
Morgan Stanley Equity Pref. Eq. 5.721375p
North Midland Constrution 2.25p
Peugeot Finance Intl. 8% Nts. 1999 LuxFr.4,000
Quester 1.25p
Shell Trans & Trading Co. 22.5p
Sherwood Grp 2.3p
Templeton Latin America Invest. Tst. 0.85p
Tweefontein Utd Collieries R3.60

■ THURSDAY May 22

Argos 10.7p
Billam 3.1p
British Gov Stocks 10¼% Con. 1999 £5.125
Do. 2½% Ind. Linked Treasury Conv. 1999 £2.3487
Do. 14% Treasury 1998/2001 £7
Candover Investment 10.25p
Daiwa Overseas Fin. FRN. 2004 $3,011.17
Export-Import Bank of Japan 8% Gtd. Bds. 2002 $400
Flash FRN. 2000 Y206,362
Independent Newspapers Ir4.6p
Ipeco Hldgs. 2.3p
Jacobs Hldgs. 1.5p
L.G.S. Investments 8.75% Bds. 2020 4.375p
Norsk Hydro NKr7
Stat-Plus Grp. 6.156p
Steel Burrill Jones Grp. 0.75p
Tokyo-Mitsubishi Intl. FRN. 2001 $13,733.10
Do. FRN. 1999 $13,708.93
TT Grp. 4.79p

■ FRIDAY May 23

Ash & Lacy 4.5p
Baronsmead Investment Tst. 1.75p
Barrett Developments 3p
Baynes (Charles) 1.85p
BBA Grp. 4.9p
BNB Resources 5.2p
Boxmore Intl. 2.1p
Breedon 3.08p
British Dredging 3.3p
Cadbury Schweppes 11.8p
Charter 20.5p
Chelsfield 1.8p
Christies Intl. 3.55p
Clydeport 3.3p
Devro 5.7p
Dorling Kindersley Hldgs. 1.5p
Exeter Preferred Capital Invst. Tst. 0.59p
Fired Earth 1.2p
Forth Ports 9p
Gartmore Scotland Invst Tst. 2.6p
Do. Package Units £6.50
Greggs 23p
Hammerson 7.5p
Intermediate Capital Grp. 10.6p
Irish Life IR8.5p
Irish Permanent Ir8.25p
Ivory & Sime ISIS Tst. 7.49814p
Lilleshall 3p
London & St. Lawrence Invst. Co. 3.12p
Lopex 0.45p
Mallet 2.7p
Medeva 3.15p
Merchants Tst. 2p
Do 1.9p
Morgan Stanley Equity Prf. 11.740625p
Murray Intl. 4.2p
Murray Ventures 4p
Nestor-BNA 2.2p
Norcor Hldgs. 2p
Page (Michael) Grp. 7p
Perkins Food 2.75p
Personal Assets Tst. 115p
Pressac Hldgs. 1.1p
Redrow Grp. 1.2p
Royal Bank of Canada C$0.37
Scholl 4.7p
Slough Estates 5.75p
Sunderland (Borough of) £5.875
Sun Life & Provincial Hldgs. 6.78p
Thistle Hotels 2p
TLS 2.3p
UDO Hldgs. 2.75p
Unilever NV Lf4.75
Unilever 21.76p
Utd Auctions (Scotland) 8.5p
Wellington Hldgs. 5.4p
Wetherspoon (J.D.) 3.4p

■ SUNDAY May 25

Aluminum Co. of America $0.25
British Government Stocks 6¼% Treasury 2010 £3.125
Du Pont De Nemours & Co. (E.I.) 8½% Nts. 1998 $85
Ireland (Republic of) Ir£1.44

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Glaxo Wellcome, Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 2.00
Quester VCT, The English Speaking Union, Dartmouth Hse, 37, Charles St, W., 11.30
Savoy Hotel, Savoy Hotel, Aldwych, W.C., 12.00
Templeton Latin America Inv Tst, Armourers' Hall, 81, Coleman St, E.C., 10.00
BOARD MEETINGS:
Finals:
British Airways, BTG, Foreign & Colonial Eurotrust, Foreign & Colonial Income, Independent Parts, Silk Industries
Interims:
Aberdeen Asset Management, Greenalls Group, RM

■ TOMORROW

COMPANY MEETINGS:
APV, Grocers' Hall, E.C., 12.15
Baird (William), Institute of Directors, 116, Pall Mall, S.W., 3.00
Barlows, Chester Grosvenor Hotel, Eastgate, Chester, 12.00
Billam, Forte Posthouse Hotel, Manchester Road, Sheffield, 10.30
Brixton Estate, 22-24 Ely Place, E.C., 12.00
Country Casuals, Metropole Hotel, Edgware Road, W., 12.00
Edinburgh Fund Managers, 97, Haymarket Terrace, Edinburgh, 12.15
Fired Earth, Twyford Mill, Oxford Road, Adderbury, Oxon, 12.00
Gartmore Venture Cap Tst, Trinity House, Tower Hill, E.C., 12.00
Metalrax, Plough & Harrow Hotel, Hagley Road, Edgbaston, Birmingham, 11.45
Redland, Plaisterers' Hall, 1, London Wall, E., 12.15
Steel Burrill Jones, Painters' Hall, 9, Little Trinity Lane, E.C., 11.00
United Auctions, Riverway Restaurant, Kildean, Stirling, 11.30
Wace, 30, Furnival Street, E.C., 9.30
BOARD MEETINGS:
Finals:
Jarvis Porter Group, Marks & Spencer, VideoLogic Group
Interims:
Abtrust Polar, Countryside Properties, Eldridge, Pope & Co, Hozelock Group

■ WEDNESDAY MAY 21

COMPANY MEETINGS:
Albright & Wilson, Intl Convention Centre, Broad Street, Birmingham, 12.00
Arjo Wiggins Appleton, Savoy Hotel, Aldwych, W.C., 12.00
Bowthorpe, The Brewery, Chiswell Street, E.C., 12.00
British Fittings, Stone Manor Hotel, nr Kidderminster, Worcester, 12.00
Dealkey, 58 Hornethorpe Ave, Redhill, 12.00
Eclipse Blinds, Fountain Crescent, Inchinnan Business Park, Inchinnan, Renfrew, 11.00
Norhomes, 6 Park Circus Pl, Glasgow, 9.00
North Midland Construction, Nunn Close, Huthwaite, Sutton-in-Ashfield, Nottinghamshire, 12.00
Reed Executive, Bedford House, Madeira Walk, Windsor, Berkshire, 3.00
Rotork, Rotork Hse, Brassmill Ln, Bath, 12.00
UniChem, UniChem House, Cox Lane, Chessington, Surrey, 2.30
Vero, Electron Way, Chandlers Ford, Eastleigh, Hampshire, 12.30
BOARD MEETINGS:
Finals:
Blacks Leisure, Chamberlin & Hill, Courtaulds, Hoare Govett 1000, Hoare Govett Smaller, Land Securities, Merchant Retail, Mercury European Priv Inv Tst
Interims:
Carlton Communications, Fenner, Morgan Grenfell Equity Income, Young (H) Hldgs

■ THURSDAY MAY 22

COMPANY MEETINGS:
BNB Resources, 30 Farringdon St, EC, 12.00
Baynes (Charles), 68, Baker Street, Weybridge, Surrey, 3.05
Boosey & Hawkes, The Brewery, Chiswell Street, E.C., 12.00
Canning (W), 133, Great Hampton Street, Birmingham, 12.00
Enterprise Oil, Glaziers Hall, 9, Montague Close, London Bridge, S.E., 12.00
Epwin, Customer Support Centre, Stafford Park 6, Telford, 12.00
Fleming Mercantile Inv Tst, 25, Copthall Avenue, E.C., 3.30
Folkes, Hagley Hall, Stourbridge, West Midlands, 12.00
Greenby, Hyde Park Hotel, 66, Knightsbridge, S.W., 12.00
Inchcape, Grosvenor House, 86, Park Lane, W., 11.00
Raxton, Plaisterers Hall, 1 London Wall, EC, 11.00
Rugby Estates, RAC Club, Pall Mall, SW, 10.00
BOARD MEETINGS:
Finals:
Catalis Intl, City of London PR, Glenmorangie, PowerGen, Southnews, Stonehouse, York Waterworks
Interims:
Acatos & Hutcheson, Brooke Industrial, Vaux Group,

■ FRIDAY MAY 23

COMPANY MEETINGS:
Blue Circle, Four Seasons Hotel, Hamilton Place, Park Lane, W., 12.00
Boot (Henry) & Sons, Sheffield Moat House, Chesterfield Road South, Sheffield, 11.30
Burmah Castrol, Balmoral Hotel, Princes Street, Edinburgh, 11.30
Breedon, Breedon-on-the-Hill, Leics, 10.00
Country Gardens, Waldorf Hotel, Aldwych, W.C., 11.00
Eadie, Windsor House, Temple Row, Birmingham, 3.00
Laporte, Langham Hilton Hotel, Portland Place, W., 12.00
Nelson Hurst, London Underwriting Centre, 3, Minster Court, Mincing Lane, E.C., 2.30
St James's Place Capital, Royal Automobile Club, 89, Pall Mall, S.W., 11.00
Zeneca, Royal Lancaster Hotel, Lancaster Terrace, W., 11.00
BOARD MEETINGS:
Finals:
Castings, Essex Furniture
Interims:
Euromoney Publications

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

THIS WEEK

Making up with the monarchy

DATELINE

Rome: Italians have been divided by proposals to allow the pretender to the throne to return as a private citizen, writes **Robert Graham**

For many years Italy's exiled monarchy has only aroused the interest of the gossip columns. But a decision by the centre-left government to set in motion the process for the return as a private citizen of Vittorio Emanuele, the current pretender, has sparked a virulent controversy.

Allowing the male heirs of the House of Savoy to live in Italy will require the abrogation of an article in the 1948 republican constitution. The initiative's promoters clearly believe the small monarchist movement is no threat and that republicanism is well-rooted. "I think it is the right thing to do," observed Romano Prodi, the prime minister, after the cabinet approved the reconciliatory gesture on April 30.

However, it has emerged the cabinet was by no means unanimous. Three ministers felt the move was inopportune, including Carlo Azeglio Ciampi, the treasury minister. His objections stemmed from his own bitter experience as a 23-year-old naval officer on September 8 1943 when Vittorio Emanuele III abandoned Italy, leaving the armed forces without a chain of command at the mercy of the Germans.

"My feelings will be with me to the end of my days," Ciampi said in a newspaper interview. "I am not going to take a stand on whether it is correct to abrogate the transitory norms of the constitution. But I don't understand why the government feels the need to take this initiative."

The reaction from the political parties has been mixed. Even many favouring the gesture believe the initiative on such a fundamental issue should have come from within parliament not from the government. Others are far more hostile. Giorgio La Malfa, leader of the small Republican Party, criticised the move as "unacceptable political revisionism". He argues "Italy's democracy was born by getting rid of a king who gave power to Mussolini and could not defend the country on September 8".

The title of King of Italy was assumed by Vittorio Emanuele II "by the grace of God and by the will of the nation" in 1861 when Piedmontese troops removed the last of the Bourbon monarchs from the kingdom of the two Sicilies. He went on to preside over the full unification of Italy with the annexation of Rome.

Today, Italians have a sentimental view of their first monarch, perhaps conditioned by the endearingly vulgar monument erected in Rome to honour him. British soldiers during the second world war dubbed it "the wedding cake" and the name has stuck.

But the combined record of four monarchs from 1861 to 1946 is not easy to defend. "The House of Savoy had always shown scant respect for democracy and a penchant for those who, like Luigi Pelloux and Mussolini, wanted to destroy it," Paul Ginsborg tartly noted in his *History of Contemporary Italy*.

Vittorio Emanuele III failed to dissociate the monarchy from fascism, and has not been pardoned for putting his signature to the infamous racial laws of 1938, discriminating against Jews.

In May 1946, he formally resigned in favour of his son, Umberto, hoping to head off a negative result in a referendum on whether Italy remains a monarchy or becomes a republic. The republicans won the day gaining 54 per cent of the vote. But while the north was solidly republican, a majority of the south favoured the monarchy, reflecting not so much loyalty to the Savoys but memories of old Bourbon bounty.

Immediately after the referendum, Umberto went into exile, dying in 1983. Transitory Article XIII of the republican constitution banned the entire family and their heirs from public office, prevented the former king and his male heirs from returning and confiscated all the latter's Italian property. Female members of the House of Savoy plus the non-direct line males have been able to move freely in and out of the country, marrying into the Italian aristocracy or consorting with the film world. The family has recovered some property, but some jewels are still believed to be held by the Bank of Italy.

The current pretender, who titles himself Vittorio Emanuele IV, has been living near Geneva with his Italian wife and son Emanuele Filiberto, canvassing his return. That the male heirs alone should pay for the sins of the fathers is seen by some as sexist and discriminatory.

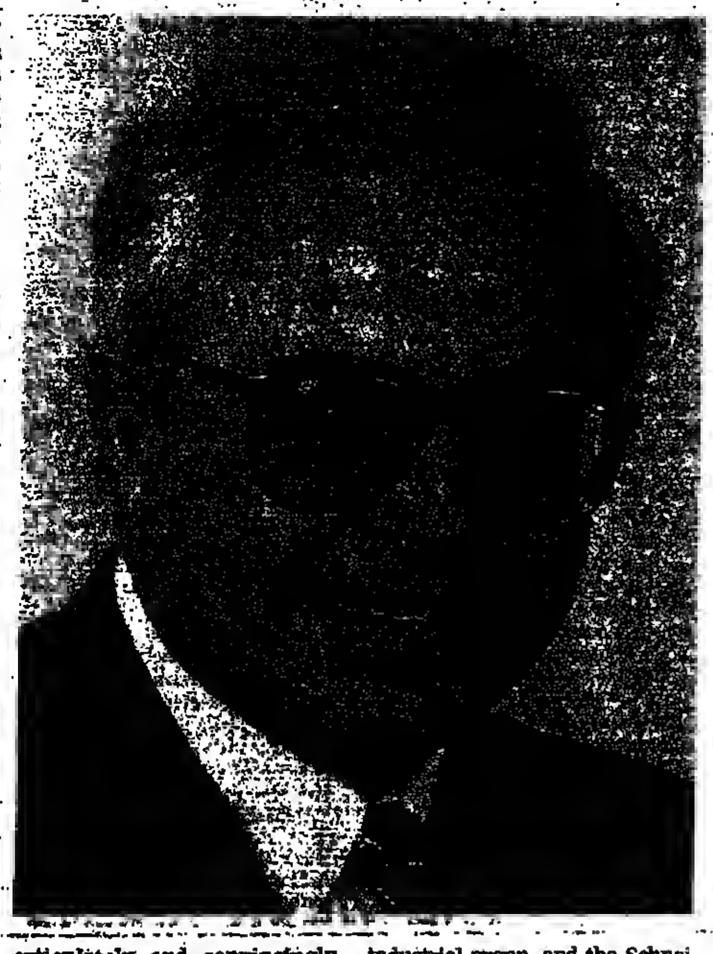
Vittorio Emanuele IV has been trundled out on several occasions to help sell Italian exports but commentators have often labelled him arrogant and lacking responsibility. He was for many years considered a source of national embarrassment after he was tried – and acquitted – in a French court on charges of manslaughter.

He committed a serious gaffe in the immediate aftermath of the government's decision to let him return. Asked by a TV interviewer whether he felt he should apologise for his grandfather's signing of the race laws, he first gave a simple "No". When pressed he still denied the need for an apology saying he was not born at the time. The interviewer then reminded him the apology was not personal but on behalf of the House of Savoy. But he again sought to minimise the monarchy's role and added that the laws "were not that terrible".

This provoked outrage, especially from the Jewish community. Ms Tulia Zevi, head of the community, observed: "These crass comments should give cause for reflection to members of parliament when they consider the matter [of allowing him to return]."

The Monday Profile: Rolf Breuer, Deutsche Bank

Deft touch at the helm



"I'm not paid to make everybody happy. I'm afraid," says Rolf Breuer who steps up after Deutsche Bank's annual meeting tomorrow to become its new chairman. It is a hint of the toughness behind the suave exterior of the man who will head Germany's biggest bank and occupy one of the top positions in European business.

Breuer, 59, is not talking about the bank's own operations – though he might be, considering the challenges and risks it faces in its global expansion – but about its investments in Europe's numerous securities exchanges.

When the European single currency arrives, Europe will need fewer bourses. Breuer believes there are already too many and says his bank will use its influence to see that spending on trading, settlement and other systems is not duplicated as new technology combines with the euro to unify markets.

"I guess there is no [European] stock exchange where we are not a member, and we do have too many," he says. So users must call a halt to superfluous investment. "Deutsche Bank is a user – and I have decided to stop it."

Since Breuer also heads the supervisory board of Deutsche Börse, which runs the Frankfurt securities exchanges, he speaks with a strong knowledge of markets. He has long argued for a stronger risk-minded equity culture in Germany.

He is also deeply involved in the bank's fast-growing investment banking business, Deutsche Morgan Grenfell. Although the announcement last October that he would succeed Hilmar Kopper came as a surprise, his appointment is seen as a logical move.

As Deutsche Bank does more business in North America and the Asia-Pacific region and moves deeper into volatile investment banking, it will need a deft touch at the helm. Breuer, who studied law in Munich, Lausanne and Bonn, is reckoned to have that, combined with a talent for explaining the bank's activities articulately and convincingly.

His path at the bank has been steadily upwards since he joined as a branch trainee in 1956. He interrupted his career for his law studies and resumed it in the mid-1960s, moving to the Frankfurt head office in 1969 and becoming head of the investment and trading department five years later. He has been a board member since 1985.

Kopper, who led the bank's drive into east Germany after unification and forged ahead in investment banking, did not have an easy time. The bank was buffetted by its involvement in the crises at *Metallgesellschaft*, the industrial group, and the Schneider property empire.

There were also unauthorised investments at some of the group's UK-based unit trusts, which cost it money last year. More recently, the bank came under fire for its role in the planned hostile takeover by Krupp Hoesch of Thyssen, its bigger steel and engineering rival.

This time, it was Breuer who felt much of the political and trade union criticism, reflecting fears of job losses. He was taken aback by some aggressive media questioning and appeared brusque and obstinate.

Breuer calls it "a fine example of lack of takeover culture" in Germany. He contrasts it not just with the US and UK, where bids raise few eyebrows, but also with the Netherlands and France.

But he expects more takeovers in Germany as industry continues restructuring. Deutsche Bank intends to play its part in advising on such deals and helping finance them.

"We have to recognise that the traditional role of a bank being the intermediary between deposit-taking and lending is shrinking. Quite a few [corporate] clients don't need that any more." Instead of taking on bank loans to finance investments, they increasingly borrow more cheaply from capital markets.

Deutsche now has a 50-50 split between profits from traditional lending and savings business and income from fee-based and trading activities such as corporate advice and sales of securities. He expects the fee-based side to increase its share.

Breuer, a fluent French and English speaker, who relaxes by reading or listening to Bach, Mozart and Debussy, has a clear idea of the priorities he will pursue.

"Europe is priority number one " he says. This means preparing for the single currency and its impact on capital markets. Next comes globalisation "in a focused way, not being everything for everybody everywhere". This will involve getting rid of some activities.

Breuer also wants to foster a close-knit corporate culture, especially among the highly paid investment bankers the group has recruited worldwide. Money should not be employees' sole motivation. "I'm talking about ethical values, openness, credibility, things like 'the client comes first' and shareholder value."

This will mean more internal and external communication. But while Breuer relishes the challenge of heading Deutsche Bank, he knows he cannot please everyone. Nor is he likely to try.

Andrew Fisher

FT GUIDE TO:
DIGITAL TELEVISION

What is digital terrestial television?
DTT, as the afficionados call it, simply means broadcasting digital, as opposed to the existing analogue, channels from conventional land-based transmitters. "Digital" means turning television picture and sound into digits, the language of computers.

Why would anybody, apart from engineers or computer buffs, want to bother?
DTT offers a number of obvious advantages. Digital pictures are clear and interference free and you can receive them with an ordinary metal aerial. Even a do-it-yourself job on top of the television set would probably work. Above all, viewers will need neither a satellite dish nor a cable television line to receive the new channels.

How many channels?
That will vary in different parts of the country and the actual number is a moveable feast depending on the technology used. For most people it will be at least 30 and it could be 50. Another advantage of digital is that you can "squeeze" the channels to get more.

Are we still talking channels here? What about multiplexes?
Broadcasters are being offered digital multiplexes or blocks of spectrum which can handle, for the sake of argument, six channels. But when you are dealing with streams of digits it all depends on what you want. You could have many more channels of talking heads and if you wanted wide-screen, high-quality pictures from a fast-moving sport you would perhaps only get two channels. The point is the system is dynamic and can change throughout the evening to reflect the subject matter being broadcast.

What equipment do you do need to receive DTT?
Only a "black box" decoder to sit under the TV set. You don't need a new TV unless you want to receive the new wide-screen pictures that DTT can deliver. The cost is likely to be about £400 although there could be subsidies to get the show on the road.

What will I be able to see on this DTT?
Only part of the answer is clear. In the UK the existing broadcasters have guaranteed DTT capacity. The BBC, for instance, has its own multiplex. So in addition to the existing channels being broadcast in digital form, or simulcast, there will be new channels such as a 24-hour news channel from the BBC and a BBC Catch-Up channel – another chance to see the best of recent programmes – ITV2 and a Channel 4 film channel.

But aren't there commercial multiplexes too?
The Independent Television Commission will choose between two rival bidders for three commercial multiplexes within the next three or four weeks. The main criteria, apart from the variety on offer, is who is most likely to encourage the growth of DTT in the UK, including a willingness to subsidise the black boxes.

Who is going to win?
At the outset it looked as if British Digital Broadcasting was going to be the winner. The consortium brought together British Sky Broadcasting, Carlton Communications and Granada, and it also has first shot at a number of new BBC subscription channels being developed in a joint venture with Flextech, the US-owned programme group.

Above all, it plans to show Sky Sports and Sky Movies and this would be attractive to homes which cannot, or do not want to, have a satellite dish stuck on the roof.

But the underdogs are showing signs of life?
Indeed. Digital Television Network has fought a good campaign by putting a lot of emphasis on new interactive services. One weakness has recently been put right. Lord Hollick, chief executive of United News and Media and special adviser to the Department of Trade and Industry, has taken United into the consortium which previously consisted only of NTL, the broadcasting services and cable group.

DTN has skilfully raised the issue of competition, or more crudely put, the Murdoch Factor. It claims to be the only chance for genuine competition, for anything different. If you give it to BDB, says DTN, you are giving the multiplexes to the same old media gang and will get the same old programmes.

And the winner?
It won't be a landslide either way but probably BDB still amounts to the safer choice, a better guarantee that something will happen. However a "courageous" choice by the ITC cannot be ruled out.

Will it matter?
DTT will be difficult to establish whoever wins. Two hundred-channel digital satellite and digital cable systems will be launched next spring, probably about six months before DTT. The danger is that the public, faced with three competing digital delivery systems, will do nothing and wait to see what happens.

But isn't government – old and new – quite attached to DTT?
It would love everybody to get a digital decoder so that it could end analogue broadcasting and sell off the frequencies for mobile communications.

Raymond Snoddy

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for 18.05.1997 — Final Prices for Trading 20.04.1997

1/2 hour period ending	Pool purchase price £/MWh (provisional)	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	14.24	16.23	16.63	1.18
0100	11.58	16.23	16.63	1.18
0130	11.55	16.23	16.63	1.18
0200	11.54	24.50	24.90	1.18
0230	11.54	37.55	37.90	1.18
0300	[illegible]	34.00	34.35	1.18
0330	11.53	16.23	16.63	1.18
0400	11.55	14.13	14.53	1.18
0430	11.95	14.13	14.53	1.18
0500	7.00	14.13	14.53	1.18
0530	11.56	14.77	15.17	1.18
0600	9.52	14.77	15.17	1.18
0630	9.50	14.77	15.17	1.18
0700	8.50	14.77	15.17	1.18
0730	8.50	14.77	15.17	1.18
0800	11.55	14.77	15.17	1.18
0830	11.53	[illegible]	11.59	0.00
0900	[illegible]	11.39	[illegible]	0.00
0930	14.47	14.77	15.17	1.18
1000	17.30	14.77	15.17	1.18
1030	18.35	14.77	15.17	1.18
1100	22.84	14.77	15.17	1.18
1130	22.84	14.77	15.17	1.18
1200	27.84	33.89	34.08	1.18
1230	[illegible]	33.89	34.29	1.18
1300	[illegible]	33.89	34.29	1.18
1330	22.84	21.81	22.21	1.18
1400	[illegible]	14.77	15.17	1.18
1430	[illegible]	11.71	11.71	0.00
1500	17.53	11.70	11.70	0.00
1530	14.48	11.70	11.70	0.00
1600	[illegible]	11.70	11.70	0.00
1630	11.80	11.70	11.70	0.00
1700	11.80	11.70	11.70	0.00
1730	11.80	11.70	11.70	0.00
1800	11.80	11.62	11.80	0.00
1830	11.80	11.70	11.70	0.00
1900	11.80	11.70	11.70	0.00
1930	11.40	11.70	11.70	0.00
2000	11.40	14.77	15.17	1.18
2030	14.40	[illegible]	[illegible]	1.18
2100	[illegible]	[illegible]	[illegible]	1.18
2130	29.34	31.33	31.73	1.18
2200	28.33	31.33	31.73	1.18
2230	24.26	29.53	29.93	1.18
2300	16.02	18.01	18.41	1.18
2330	16.60	14.77	15.17	1.18
2400	11.85	14.77	15.17	1.18

[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for 19.05.1997 — Final Prices for Trading 21.04.1997

1/2 hour period ending	Pool purchase price £/MWh (provisional)	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	11.58	11.62	11.62	0.00
0100	11.55	11.59	11.59	0.00
0130	11.55	14.77	14.84	0.87
0200	11.55	14.77	14.84	0.87
0230	11.58	14.77	14.84	0.87
0300	11.55	14.77	14.84	0.87
0330	11.55	14.77	14.84	[illegible]
0400	11.55	14.77	14.84	0.87
0430	11.55	14.77	14.84	0.87
0500	11.58	14.77	14.84	0.87
0530	11.55	18.50	18.67	0.87
0600	8.01	18.50	18.67	0.87
0630	11.80	18.81	18.98	0.87
0700	14.35	22.18	22.29	0.87
0730	[illegible]	24.88	25.10	0.87
0800	22.34	24.23	24.88	0.87
0830	22.18	24.88	25.38	0.87
0900	24.13	25.36	26.05	0.87
0930	23.18	25.11	25.77	0.87
1000	24.35	25.25	25.98	0.87
1030	24.88	25.98	25.76	0.87
1100	24.22	24.50	25.17	0.87
1130	25.88	24.46	25.11	0.87
1200	28.38	28.27	28.84	0.87
1230	28.24	37.98	38.58	0.87
1300	26.55	32.55	33.13	0.87
1330	24.08	33.46	33.88	0.87
1400	25.85	25.18	25.48	0.87
1430	24.30	25.04	25.38	0.87
1500	24.50	24.08	24.31	0.87
1530	24.23	24.02	24.35	0.87
1600	24.32	23.23	23.44	0.87
1630	22.77	24.06	24.27	0.87
1700	32.21	42.86	43.08	0.87
1730	32.06	42.87	43.08	[illegible]
1800	31.79	23.88	24.18	0.87
1830	24.07	23.87	24.08	0.87
1900	22.78	23.90	24.07	0.87
1930	22.15	22.79	22.90	0.87
2000	21.81	22.78	22.90	0.87
2030	16.56	22.74	22.81	0.87
2100	21.91	51.37	51.58	0.87
2130	57.78	51.37	51.54	0.87
2200	57.78	31.88	[illegible]	0.87
2230	28.54	[illegible]	[illegible]	0.87
2300	17.85	31.08	31.84	0.87
2330	18.58	21.71	21.86	0.87
2400	14.38	18.61	18.80	0.87

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision to correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the Pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. [illegible] telephone 0115 845 6789 between 8.00am and 5.15pm Monday to Friday.
Energy Settlements and Information Services Limited

Gerard Baker • Economics Notebook

Benefits of welfare reform

The shake-up in the US may have had less success than claimed

The new Labour government in the UK will be tempted to look across the Atlantic at the behaviour of the US labour market as it considers how to fulfil its campaign promises to secure meaningful reform of Britain's system of unemployment benefits.

In particular, it will want to know quickly whether the extensive welfare reforms in the US, first at a state level and then nationally, have achieved what was claimed for them – a sustained *increase in US employment* as welfare recipients have been forced off their dependency on benefits and into jobs.

Interpreting the statistical barrage on the subject is especially difficult. While there has been a sharp fall in the number of welfare recipients in the last few years, it is not easy to gauge how much of this is a product of robust economic growth and how much is down to welfare-to-work programmes.

Two weeks ago, President Clinton's council of economic advisers declared it had the answer. The fall in welfare numbers by nearly 20 per cent – down from 5m recipients in 1994 to just over 4.1m today – was the largest in 50 years. The advisers found that 40 per cent of the decline was the product of economic growth, and 31 per cent the result of welfare reforms enacted by the states.

Those figures, though curiously precise, are not seriously challenged. Few people doubt that the reforms – which impose much tougher conditions on the unemployed before they receive benefits – have clearly reduced welfare payrolls.

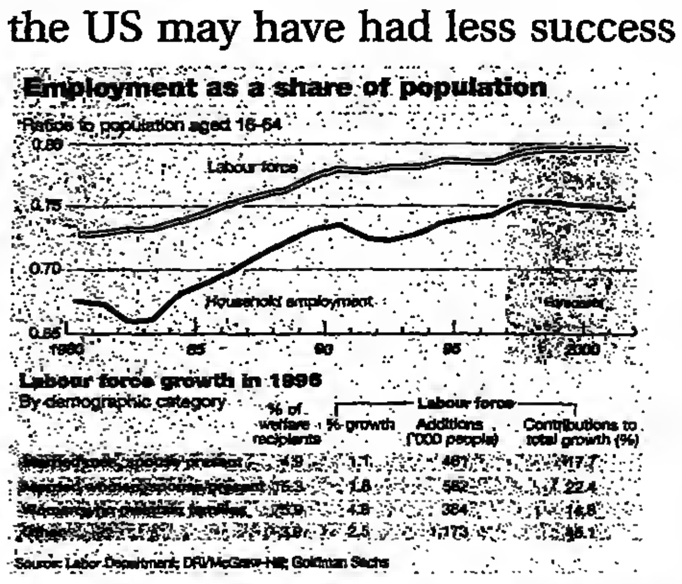
But the really significant question is: where have these displaced welfare recipients gone? Have they entered the labour force and signed up for work, as the Clinton administration claims, or have they simply disappeared altogether, sinking deeper into poverty?

One statistic is immediately obvious: as welfare rolls have declined sharply in the last two years, labour force growth in the US has increased markedly. This leads some economists to believe there is indeed a correlation.

From the start of the expansion in 1991 to the end of 1995, the labour force grew at an annual average rate of about 1 per cent, roughly the same rate as population growth in working-age categories.

Last year, however, the labour force growth rate doubled, to 2 per cent by the end of the year. That faster pace has continued into this year, adding a remarkable 2.7m participants between April 1996 and April 1997. The increase in the working age population has been 1.5m. Given average labour force participation rates in the past, that should have translated into a gain for the labour force of about 1.5m. Where have the other 1.2m come from – could they be ex-welfare recipients?

With no direct evidence available, the best that can be done is a series of educated guesses, based on the Labor Department's demographic analysis of the employment figures.



The labour force growth has been fastest among two groups often associated with welfare dependency: black females and Hispanics. The number of Hispanics in the labour force actually grew by more than 900,000 in the period, accounting for one-third of the total increase for the population as a whole. But this seems to have been over-stated.

The Hispanic population series was re-benchmarked by the Labor Department at the start of this year, *adding half a million* to the labour force at a statistical stroke. The figures for black women are more consistent and may suggest there has been some welfare effect.

But more exhaustive analysis of the figures by economists at Goldman Sachs, the New York investment bank, suggest this is probably reading too much into the welfare factor. According to Ms Jill Jacobs, two critical indicators undermine the argument that welfare reform has accelerated labour force growth.

First, while it is true that some of the fastest rates of increase have been seen in groups that account for a substantial proportion of welfare recipients, these groups still only make up a very small proportion of the overall increase in the labour force.

For example, women who maintain families, who make up three-quarters of total welfare beneficiaries, did indeed record a rapid overall rate of growth of participation of 4.9 per cent in 1996. But that amounted to a net addition to the labour force of just 384,000, or less than 15 per cent of the total.

The cohort of the population that accounts for only 5 per cent of welfare cases, married men living with a spouse, accounted for almost 18 per cent of the total labour force growth.

And there is also evidence from the states that labour force expansion may not have much to do with the welfare changes.

Ms Jacobs found virtually no correlation between those states that started out with the highest proportion of welfare cases among their total populations, and rates of labour force growth.

Indeed the three states with more than 6 per cent of their total households in receipt of welfare had much slower than average increases in their labour force last year. The four states with fewer than 2.5 per cent of their households on welfare, by contrast, saw much faster than average rates of growth.

The much more likely explanation for the labour force increase, she claims, is simply the strength of the US economy. With jobs apparently plentiful (unemployment is now just 4.9 per cent) formerly discouraged unemployed workers re-enter the labour force. This does not answer the question: what has happened to former recipients of welfare? But it does suggest that at least some may have simply disappeared from the economic radar, a troubling finding.

Of course, welfare reform may, in time, significantly expand the labour force, perhaps even making possible a long-run upward shift in the potential growth rate. But, in the meantime, this analysis certainly helps take some wind out of the loftier claims that the process is already well under way.

Engineering leaders

David McMurtry surveys his engineering workshops tacked on to a disused woollen mill in Gloucestershire and says: "I look at this as my hobby. I'm going to keep at it until I drop." He is chairman and chief executive of Renishaw, the world leader in measuring probes for machine tools, which he founded 24 years ago.

While Renishaw is publicly quoted, McMurtry controls 53 per cent of the voting shares. He guides the company with a philosophy based around constant product development, near-obsessive attention to technological detail, and emphasis on building up marketing strengths.

McMurtry is probably Britain's closest equivalent of a Mittelstander – boss of one of the thousands of medium-sized, mainly privately-owned, engineering companies in Germany. The word Mittelstand has no literal English translation, but stands for a community of independently minded businesses with a strong strand of family ownership.

These companies form the backbone of Germany's economy through a twin focus oo advanced technology and niche marketing. Many are having to fight hard to retain their technical and marketing leadership because of high German wage costs and increasing international competition.

Even so, the Mittelstand will almost certainly continue as a source of economic strength for Germany.

There are many lessons to be learnt for countries such as Britain, which has few equivalent companies – perhaps a few dozen in total, according to Hermann Simon, a Bonn-based management consultant.

In an effort to draw out some of these lessons, the Financial Times has talked to the chief executives of 20 Mittelstand-style engineering companies, drawn equally from Germany and Britain.

All the companies selected for this series are world or European leaders in their fields. They have annual sales from $20m to $3bn, and are specialists in product niches from knitting machinery to combine harvesters.

All 20 depend heavily on sales outside their home country. As a proportion of total revenues this figure is on average 69 per cent for the German companies and 73 per cent for the British ones.

The businesses share a number of other traits, including an accent on product and process innovation and a focus on stable parts of the engineering industry with limited competitors.

Virtually all have a long-term vision for their businesses, often set either by an authoritarian-minded founder who retains a controlling stake, or by managers who have spent most of their careers in the same industry.

The 10 German companies in the sample have average annual sales of $736m (£454m) and 4,700 employees, more than twice the comparable figures of $308m and 1,800 for the UK companies. The German businesses are also longer established, with an average age of 79 years as opposed to 53 years for the UK businesses.

All but one of the German companies are privately owned – and this exception, Krones, the world's biggest maker of bottling systems for breweries, is quasi-private, with the members of the founding family having a majority stake.

Of the 10 UK businesses, three are private, two – including Renishaw, are quasi-private – and the other five are publicly quoted with no dominant shareholder.

Possibly the most significant shared characteristic of both the German and British companies is a service-based culture. The companies graft on to the production-oriented disciplines of the conventional manufacturer some of the customer-focused values of businesses such as retailing.

Putzmeister, the German company which is the world's biggest maker of concrete pumps for the construction industry, pays special attention to building customer loyalty. This is done partly through special seminars on concrete science for several thousand customers a year which are held at Putzmeister sites around the world.

"We want to be close to customers so we can react to their needs," says Karl Schlecht, Putzmeister's founder and chairman who, when not quoting from the Bible to spur on his employees, is fond of combing the internet to search for new technical ideas to add value to his pumps.

Spirax-Sarco, a publicly quoted UK company and the world's biggest maker of steam-cootrol equipment, has 650 sales engineers who involve themselves with all the steam-related aspects of their customers' businesses.

This 'know your customer' emphasis spills over to a relentless search for product improvements

Spirax-Sarco relies on this close relationship for repeat orders for half its $400m-a-year sales, 86 per cent of which come from outside Britain and are spread around 100,000 customers. "We are not so much a manufacturing business as a marketing company selling specialist knowledge," says Tim Fortune, the company's chief executive.

The Mittelstand companies in both countries sell almost exclusively to industrial customers – rather than to the more fickle consumer market. "Our marketing is done by engineers who sell on the basis of logic," says Jürgen Schaefer, president of Netzsch, a German group which is the world's biggest in specialist filters used in the ceramics industry.

This "know your customer" emphasis spills over to a relentless search for product improvements. Viktor Dulger, founder and chairman of Prominent, the Heidelberg-based company which is the biggest in the world in metering pumps used in water treatmeot, travels the globe talking to industry users about new applications in fields as far removed as fish farming and apple orchards.

A third important point of strategy includes a focus on specific areas of business which the companies believe they are good at – and a refusal to stray too widely beyond this.

Otter Controls, a privately owned UK company which is one of the top two suppliers globally of thermostats for domestic appliances and cars, has about 40 engineers working full time on process development and automation for the company's own use. Otter does this "to avoid helping competitors," says Bill Preece, chief executive.

Heinz Hermann Thiele is chairman and owner of Knorr-Bremse, a Munich company which is the world's biggest maker of railway brakes and is also the number two in heavy-truck brakes. "We live and die on brakes – we won't go off and produce donghnuts just to make money," he says.

The most commercially successful of any of the 20 companies has been Halma, a publicly quoted UK company which has a strategy entirely of its own making. Over the past 27 years Halma has bought nearly 70, mainly small, technology companies and turned many into world leaders in niche fields such as fire detectors, electronic leak detectors for water pipes and mechanical fail-safe interlock equipment for railways and chemical plants.

The strategy boils down to the "remorseless application of common sense," according to David Barber, chairman of Buckinghamshire-based Halma. He has headed the company since the early 1970s and, since that time, Halma has turned in one of the best earnings per share record of any quoted UK business, with a 400-fold rise in the share value. Says one UK engineering analyst of Barber: "God does exist and he is running a small engineering company in Buckinghamshire."

The biggest difference between the UK and German companies in the sample relates to their ownership: because of their predominantly private ownership the German businesses are subjected to fewer short-term pressures from shareholders, compared to the mainly publicly quoted UK enterprises.

Most of the German companies reckon the British financial system is a handicap to the growth of their type of businesses, and none of the privately held UK companies have any inclination to go public, all stating it would be detrimental to their ambitions of building up their businesses.

But this view is contested by the UK's quoted Mittelstand equivalents. "I haven't found stockmarket pressures terribly distracting. It's our competitors and customers who do most to keep us focused," says Bill Whiteley, chief executive of Rotork, a Bath-based business which is the world's biggest maker of heavy-duty valve controls for fields such as oil refining.

The spirit of the Mittelstanders is summed up by the approach of Renishaw's McMurtry, who with 370 patent filings over the past 25 years combines an inventive streak with the determination of a marathon runner. McMurtry's ideas are behind many of the new measurement products brought out by the company in the past five years which have helped it to a near doubling in output and a similar rise in profits.

The trick, says McMurtry, is continually to be thinking of "new ways of doing things", and to put these into production before potential customers work out how to do it themselves.

The next article in this series will appear on the Management Page on Friday

Company	Speciality	Annual sales ($m)	% outside home country	Employees	Year founded	Private/ quoted
Heidelberger Druckmaschinen	Printing systems	2,900	85	17,000	1850	P
J.C. Bamford*	Construction equipment	1,200	68	3,100	1946	P
Krones	Bottling systems	940	73	7,600	1951	Q*****
Knorr-Bremse	Rail brakes	890	72	7,000	1910	P
Class*	Combine harvesters	820	65	4,800	1913	P
Trumpf***	Laser cutters	530	60	3,000	1923	P
Molins***	Tobacco equipment	490	92	3,000	1912	Q
Putzmeister	Concrete pumps	411	70	1,500	1959	P
Spirax Sarco	Steam control systems	400	86	3,900	1910	Q
Mayer	Circular knitting machines	400	90	2,400	1905	P
Halma	Leak detectors/safety interlocks	278	60	2,400	1972†	Q
Vitec	Camera tripods	237	86	1,200	1910	Q
Netzsch	Specialist filters	206	80	1,900	1873	P
Huntleigh****	Pressure sensitive beds	147	55	1,300	1973	Q*****
Rotork	Valve actuators	144	85	800	1957	Q
Prominent	Metering pumps	141	60	900	1960	P
Renishaw	Measuring probes	120	90	1,000	1973	Q*****
PIV***	Variable-speed drives	120	34	1,000	1928	P
Otter**	Kettle thermostats	48	85	800	1946	P
Oxley****	Anti-interference electronics	20	25	400	1942	P

N.B. all companies world number ones in their fields except: UK companies in light type, German companies in bold type. * biggest in Europe, ** in top two worldwide, *** in top four worldwide **** in top five in Europe † Date of restructuring ***** majority controlled by founder/family shareholders

Source: company information

Peter Marsh starts a series on German and UK engineering companies that lead their field

March of the Mittelstanders

Building on a dream of creativity: Stewart and Jean Pickering

PARTNERS

Kids Unlimited

Former school teachers Stewart Pickering, 49, and his wife Jean, 47, founded Kids Unlimited in Wilmslow, Manchester, in 1983. The company now runs 27 children's nurseries throughout the UK. The annual turnover is £5m.

Stewart: "It all started when Jean couldn't find a nursery place for our two-year-old son. We couldn't believe such an affluent area as Cheshire didn't have anything more sophisticated than play groups.

Once we'd decided to start our own it took about two years to find suitable premises. We opened with 30 places and in 18 months expanded to 45.

In hindsight we undercharged by about 25 per cent – which is probably one of the reasons we became popular. When the premises next door came up for sale I went back to teaching for a while so we could afford to expand.

The transition between owning and managing came in 1987, when a large insurance company relocated to Cheshire. Both our nurseries were full so we negotiated to start one on site. Two years later the demographic time bomb hit the press. Women returners couldn't find childcare and Midland Bank was talking about opening 300 nurseries.

It basically meant a potential boom for childcare and Jean and I were brilliantly placed. She has a natural talent for marketing and believes passionately in our childcare philosophy. The foundation of our success has been her ability to communicate this, not only to parents, but to the staff.

I'm a former physics and maths teacher – more into numbers than people – so the business has relied a lot of Jean's personality.

I'm convinced that in the next couple of decades the British childcare market will go the American way and we'll have in-house nurseries in the majority of businesses and institutions."

Jean: "We never intended to expand. Our vision had been to make a living with one nursery, but then neither of us had anticipated the huge demand.

As I'd taught across the ages I was very hands on in the beginning. Under fives are eager to try things out, which makes them exciting to work with. If you give them a piece of clay they don't start out with adult preconceptions of success or failure, they want to enjoy the experience.

The nurseries I'd looked at before we opened weren't at all creative. They were trying to justify their existence through the parent rather than the child.

You see this at Christmas, when so many nurseries pack the children off with a toilet roll Father Christmas. Now, where's the creativity in that? I teach all my staff to see what the child can do.

One of the most difficult bits about expanding was delegating some of the teaching. I knew we had to invest in training but Stewart wanted us to do it slowly. I'd be pushing forward and every time he'd say: 'The figures don't add up'. So I'd tell him to add them up again.

My greatest inspiration came from seeing nurseries in Europe, particularly in Italy. They believe that creativity comes from the aesthetics of the environment. In Britain we tend to clutter our nurseries because we're afraid not to have every child's work on the wall. My dream is to build nurseries which have enough space so children can be creative in their own way."

Fiona Lafferty

A parallel from the progressive 1970s

Lucy Kellaway

The debate about management in the 1990s is starting to look just like the education debate in the 1970s. Consider Ricardo Semler, the subject of an interview in the FT last week. At Semco, his company in Brazil, there are no constraints on workers. They arrive and leave whenever it suits them, set their own pay and hire and fire their own managers.

Semco sounds just like those famous British schools of the 1960s and 1970s – Frensham Heights, Summerhill, Dartington – where pupils could do as they pleased and wear what they liked, and where punishment did not exist. Freedom. Self-expression. Creativity. At the time it was heady stuff – a thrilling reversal of generations of strict regimentation. Not many schools went as far as these ultra-progressive ones, but the general idea of giving pupils more say spread everywhere.

In management 30 years later the same thing is happening. While few companies seek to copy Semco, there is hardly an organisation left in the west that does not practise some of the same notions. Empowerment, flattening of structures, dressing down, staff suggestion boxes – all stem from the belief that we work better when freedom and creativity are encouraged.

The education parallel is not encouraging. There it all went wrong. At Frensham Heights, a pupil was rewarded for owning up to burning down the cricket pavilion, elsewhere children did not seem to be learning anything. Eventually the pendulum swung back. Rules and chalk and talk have become fashionable again, and even at Frensham Heights there is a dress code banning midriffs and insisting on shoes.

Could the same happen in management? Might there be a reversal in the next decade towards good old-fashioned leadership, centralised decision-making, command and control? You could say that empowerment etc has been anything but wacky as it is firmly tied to results. Even so, it would be foolish to rule out a backlash. It is happening already in some organisations. Look at the Labour party.

CVs are a waste of time. So are references. This is the jaded view of a US boss who employs 3,500 people. If someone wants to get a job they must get themselves noticed, he told me last week. They should ring the boss at 7am when he may be answering his own phone. Or better still send in a jigsaw, which when put together says: "I would like to work at this company". Two people who tried these tricks recently on him got interviews. The thousands who sent in detailed resumés with standard covering letters did not.

It wouldn't work over here. Any British boss who was in the office so early would be enraged at the unwanted interruption; as for the jigsaw – the British don't like Clever Dicks. Neither do we believe that there is any link between showing off and being a good employee.

Shock, horror. Barely 5 per cent of bosses know how much it costs to print a page of A4 or send a fax. This distressing finding comes to us from Gestetner Consulting, a brand new division of the office equipment company.

While Gestetner takes these figures as evidence that its new consultancy service is badly needed, they show nothing of the sort. Bosses are busy people who should be thinking about more important things. A senior executive who is flapping about the cost of faxes is not doing his or her job properly.

The survey says that only one in three directors ever thinks about how the documents which they need for meetings are actually produced. That sounds like too many to me. Instead of worrying about the production of documents, they should get on and read them. And if the documents are not what they need then they should not be reproduced at all.

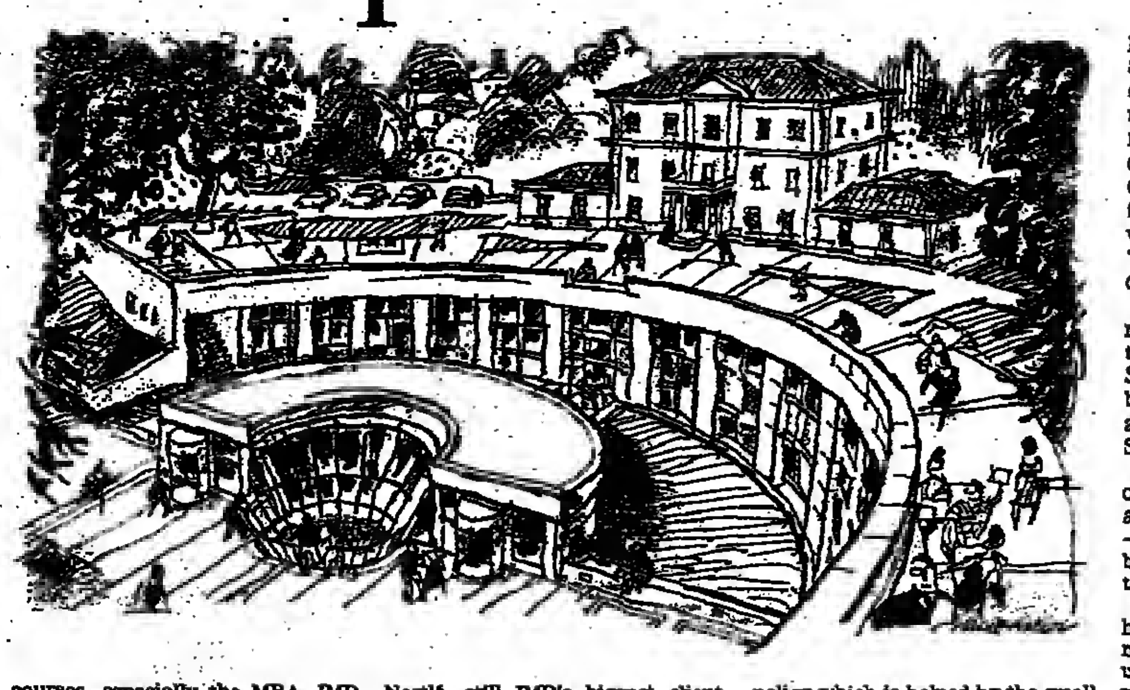
What is the difference between international senior executives and a group of armed robbers in New York's Riker's Island prison? Not much, says John Wareham, a management guru from New Zealand. His task is just the same, he says, whether he is trying to make prisoners see the folly of their criminal ways or trying to convince the executives to become less ineffective, myopic etc. For both groups Freud and Socrates are apparently essential primers.

On second thoughts, there may be a difference. The executives paid £700 a head this month to attend his "1-Day MBA" at the Dorchester at which they learnt about the "Shoddi-push Curve", "Wareham's Reflection" and the "Transformational Trauma". The prisoners were luckier. They got their instruction gratis.

BUSINESS EDUCATION

Della Bradshaw visits IMD, in Lausanne, a school which has decided to stick to what it knows best

Compact creed



On the banks of Lake Geneva the International Institute of Management Development, invariably known as IMD, has built a reputation as the most exclusive of Europe's business schools.

With exorbitantly high fees – the strength of the Swiss franc guarantees that – and an MBA class of just 80 a year, it is a school for the top-notch manager from the top-notch company.

While its European rivals Insead, in Fontainebleau, and London Business School are gearing up to increase their student intake and the size and quality of the research base, IMD's president, Norwegian Peter Lorange, is following a different, though no less precarious, strategy.

IMD will play to its exclusive reputation and make a virtue out out of its compactness.

It is a make-or-break strategy, and Lorange knows it. "It's awfully dangerous to say we're doing OK. It's too easy to fall into sounding complacent."

But IMD's success to date has been largely based on swimming against business school trends.

While most business schools have established themselves near large business populations – Insead near Paris, say – IMD was set up in Lausanne, which is considered by even the frumpiest Swiss to be a backwater.

The site, the faculty argue, makes the school more international because it cannot be dependent on local business. Only 10 per cent of IMD's business overall is with Swiss companies.

Second, while most business schools have until recently put their efforts into their degree courses, especially the MBA, IMD has built its name on its executive education – 3,500 executives pass through the school every year – and its strong links with European companies. Indeed, IMD was formed by the merger of two company-sponsored schools in 1989, Geneva's IMI and Lausanne's Imede – the latter was set up by Nestlé, still IMD's biggest client.

Moreover, while many schools focus on specific topics for short courses – marketing or strategy, say – IMD sees its strength lying in general management courses for senior executives.

The policy of the school has always been to prevent faculty peeling off into departments, a policy which is helped by the small size of the school. This in turn reinforces the school's strength in general mangement.

The faculty are organised not in departments, but around programme delivery teams and each programme has a research budget attached to it for renewal. The result is pragmatic near-to-market development projects rather than the esoteric blue skies research favoured by bigger schools.

"Research is not the issue. The issue is the translation of future ideas into learning," says Xavier Gilbert, Lego professor of international business. "The translation into executive learning has to be very quick."

With between 20 per cent and 25 per cent of the school's income allocated to research, much on developing case studies, IMD has reorganised its approach to research in the past year. It now covers about 10 projects a year, each lasting up to 18 months. All the research is company-funded, with those companies invited to a "discovery" event to get first sight of the information.

Companies that fund the research are either IMD partners – there are 40 of these, each paying SFr100,000 (£42,000) a year – and business associates, of which there are 85, each paying SFr50,000.

The research feeds back into the open programmes, MBA course and company specific programmes – company specific courses have been held at 40 per cent of the total, although demand is growing.

With a turnover of SFr42m, IMD has just 48 faculty and Lorange has no intention of increasing that figure to more than 45. Nor does he plan to build any more buildings to house staff and students.

Instead, Lorange is putting his faith in technology as a plank for growth. He believes that the expansion at IMD will be through global networks linking the Lausanne site to other international sites. "We don't plan more bricks and mortar," he says. "Thank God!"

NEWS FROM CAMPUS

Crunch time for Oxford school

Oxford dons will get the final say on whether the university gets its controversial business school when they vote on a new set of proposals from Saudi entrepreneur Wafic Said on June 17 in congregation, the university's academic parliament.

Without a vote of confidence for the project Said will withdraw his £20m funding from the project and director John Kay will also step down.

Last November congregation refused to hand over university playing fields to the Said foundation as a site for the school.

Since then the university has been looking for a new site and is now in final negotiations with Railtrack to buy a plot next to Oxford's railway station.

Said has conceded many of his original terms. Previously Said appointees had a majority on the governing body, the foundation: the new proposal calls for an equal split between university and Said appointees.

Oxford: UK, (0)1865 228521

Grant to find the best boards

Lancaster University Management School, which topped the research rankings in the recent government league tables, has been given a £30,250 grant from the Leverhulme Trust to investigate how the composition of a company's board affects its financial performance.

The research will analyse the top 1,000 listed companies between 1989 and 1996.

Lancaster: UK, (0)1524 65201

Change of dean at City school

City University Business School, in the heart of London, has appointed Leslie Hannah as dean from September. Hannah, who is currently pro-director at the London School of Economics, will succeed David Kaye, who is retiring.

Hannah has previously taught at Oxford, Cambridge, Harvard Business School and Hitotsubashi university in Tokyo.

City: UK, (0)171 477 8000

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Contact: Letitia Adu Ampoma
Euromoney Conferences
Tel: (0171) 779 8708
Fax: (0171) 779 8635
Athens

JUNE 12 & 13
FT Aerospace & Commercial Aviation Conference
Confirmed speakers: Yves Michot, Aerospatiale, John Leahy, Airbus Industrie, Wolfgang Piller, Daimler-Benz Aerospace, Jürgen Weber, Lufthansa, Charles Bigot, Arianespace, David Turnbull, Cathay Pacific Airways, Jean-Marie Luton, European Space Agency, Patrick Gavin AIRJ. Enquiries: FT Conferences. Tel: (+44) 171 896 2626 Fax: (+44) 171 896 2696/2697
PARIS

JUNE 16 & 17
FT World Gold
Mr Josef Tosovsky, Governor, Czech National Bank; Mr Cyril Ramaphosa, Deputy Executive Chairman, NAIL; and Mr Andy Smith, Precious Metals Analyst, Union Bank of Switzerland will speak at this years' premier international gold event.
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JUNE 17
Regional Trade within the Context of the WTO Obligations
North America. Free Trade Agreement (NAFTA). U.S. Antitrust/Competition. Euro Single Market and Single Currency. I.M.F. SDRs. The World Bank Group. International Investment and World Trade in Africa. Corporate Financing and Governance. Directed by Harvey Applebaum, Esq., at Covington & Burling, Washington, D.C. USA. Attorney. Tel/Fax +44 171 249 6303
Hilton Hotel, Olympia, LONDON

JUNE 17-18
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Contact Mick Gaynor at Business Intelligence Tel: 0181 879 3355 Fax: 0181 879 1122 E.mail: mick.gaynor@business-intelligence.co.uk
LONDON

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JUNE 18
Globalisation and Risk Management and Employment Obligations:
Directed by Hamilton LOEB, Esq., Partner at Paul, Hastings, Janofsky & Walker LLP, Washington, D.C. Attorneys. Co-Chair, American Bar Association (ABA) International Trade Committee and Panel of Experts. Tel/Fax +44 171 249 6303
Hilton Hotel, Olympia, LONDON

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IP THE INSTITUTE OF PETROLEUM London

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This intensive one-day seminar tackles the key issues facing companies in implementing Economic Value Added (EVA). Joel Stern, the world's recognised authority on EVA, outlines the practical steps towards integrating EVA into your company.
Contact Mick Gaynor at Business Intelligence Tel: 0181 879 3355 Fax: 0181 879 1122 E.mail: gaynor@business-intelligence.co.uk
LONDON

JUNE 19
Managing International Human Rights of Workers, Women and the People Obligations.
Directed by Prof. Christine Chinkin, Professor of International Law, London School of Economics and Political Science and a panel of experts.
Tel/Fax +44 171 249 6303
Hilton Hotel, Olympia, LONDON

JUNE 19-20
IGC Grains Conference
With increasing liberalisation, major changes are taking place in the world grains economy. Industry leaders will examine forthcoming challenges. Special focus will be given to developments in markets for milling wheat, flour and malting barley.
Contact: International Grains Council Tel: 0171 513 1122 Fax: 0171 513 0630
LONDON

JUNE 20
The European Index Conference 1997
"The Euro and the Exchanges: Implications for Multinational and Financial Markets". Speakers and audience comprise fund and asset managers, institutional investors and other related fields. Contact: Ursula Lewis, International Herald Tribune Conference Office. Tel: (44 171) 420 0309 Fax: (44 171) 836 0717
LONDON

JUNE 23 & 24
The 2nd FT World Aluminium Conference
Speakers confirmed for this event, in association with CRU International, include senior executives from Alcan, Hoogovens, Glencore, Mannesmann, Chrysler, Airbus Industrie, US Steel Group, CII Carbon, Elkem, US Department of Energy, INCA, HUNTER, County NatWest Securities Australia and The Securities & Investment Board. Enquiries: FT Conferences. Tel: +44 171 896 2626 Fax: +44 171 896 2696/2697
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Directed by Michael Walsh, Esq., Head of International Department, Trade Union Congress (TUC) Congress House, London U.K. and a Panel of TUC Speakers. To register for conference Tel/Fax +44 171 249 6303
Hilton Hotel, Olympia, LONDON

JULY 10
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This conference covers banking, finance, extractive industries, manufacturing, infrastructure, agriculture and tourism. Southern Africa Business Association, Anglo American, De Beers and Fleming Martin sponsor.
Information: Forum Southern Africa Tel: 01225 466744 Fax: 01225 442903
LONDON

JULY 14-15
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Tipped for rapid growth, this conference examines the prospects of the Asian Bonds markets. Speakers from: The World Bank, Merrill Lynch, Moody's, Ministry of Finance Thailand, Jakarta Stock Exchange Indonesia.
Contact: Samantha Lodge, FT Conferences Tel: (+65) 323 6373 Fax: (+65) 323 4725 e-mail samnty@pacific-pro.com.sg
BANGKOK, THAILAND

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JULY 15
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The Developing New Areas of Regulation: *Code of Mortgage Lending Practice, Code of Banking Practice, ABI Code of Practice for selling General Insurance.* Speakers include: Bill Tinkis, Nationwide; Steve Mitchell, NatWest; Dr Michael Taylor, London Guildhall University.
Contact: Sacha Tsai, Henry Stewart Conference Studies Tel: 0171 404 3040
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This major automotive conference brings together prominent figures to discuss recent developments and future trends in the international motor industry. Speakers include Professor Garel Rhys, Cardiff Business School, Mr Anand G Mahindra, Mahindra & Mahindra.
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FRANKFURT

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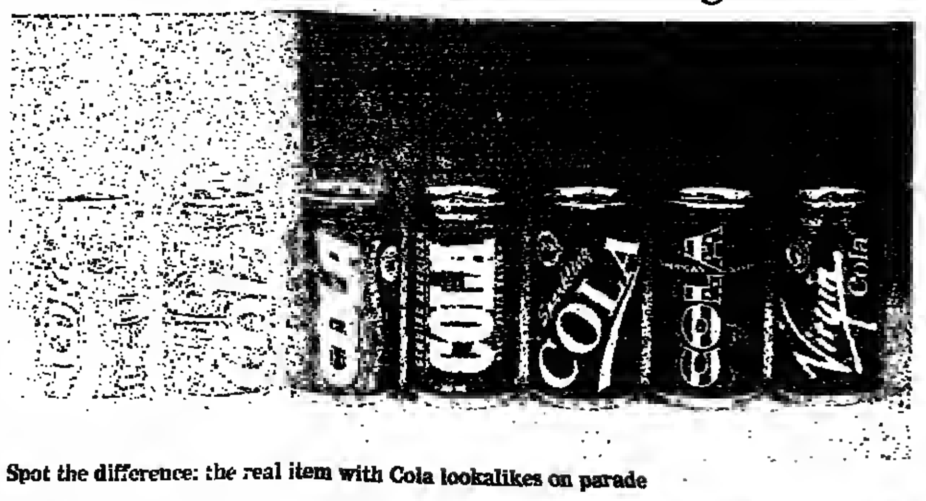
Really not the real thing

Alison Smith on the brand owners' battle against the lookalikes



Spot the difference: the real item with Cola lookalikes on parade

On Wednesday the Design Museum io London opens an exhibition celebrating the glass Coca-Cola bottle. It marks the return of the bottle to the UK and is a paean of praise to the unique, iconic status it has acquired.

But although the bottle is protected by tradamark legislation, it has been harder to establish the reo-and-white cans in which Coke is also sold as the real thing.

The cans triggered a rapid UK expansion three years ago in the way different manufacturers used similar packaging.

J Sainsbury, the supermarket group which launched its own brand of Classic cola in 1994, made minor changes to the packaging to avoid a legal challenge from Coca-Cola. But it kept much of the design, and within a year or so there were more than half-a-dozen similar-looking cola cans.

The launch of Sainsbury's cola helped prompt the setting-up of the British Brands Group, an organisation of brand owners including Allied Domecq, Procter & Gamble and Nestle.

The group has negotiated a voluntary code of cooduct with grocery retailers against the use of "lookalikes", but John Noble, its director, believes a change in the law is needed.

"This would mean that undermining the goodwill or reputation of a competitor organisation or product would be illegal, regardless of whether it caused confusioo." He says the present requirement to prove that customers are confused by the lookalike makes the law difficult to use.

Last week's Queen's speech announcing the government's legislative programme gave the BBG a fresh opportunity to seek a change in the law. The competition bill which the government plans to introduce in the autumn does not contain the provision, but the issue could still be incorporated as legislation passes through parliament.

The most obvious effect lookalikes have is on mistaken buying – customers pick up the own-label product thinking they are buying the brand.

"My instinct is that this amounts to about 2 per cent of the total grocery market," says Tom Blackett, deputy chairman of Interbrand, the brand development consultancy. That would amount to more than £1.5bn a year.

Further costs to the brand owner arise if its own packaging becomes less effective. Nestle says the £10m relaunch of Gold Blend coffee in new jars was part of its normal marketing strategy but the shadow of lookalikes was behind the move.

Tim Cryan, marketing director of Nestle's grocery divisioo, says: "Our aim is to make our premium brands instantly recognisable in what is now a very crowded marketplace."

The BBG says brand owners also suffer because they may need to run defensive marketing campaigns, such as that launched by Kellogg last year to try to protect its breakfast cereals. They may also face litigation costs, as United Biscuits did in March as it sought to protect Penguin chocolate biscuits from the Puffin sold by Asda.

These arguments, however, have failed so far to convince the Consumers' Association that custnmers rather than brands need to be protected from lookalikes.

"We haven't seen any evideoce that convinces us that customers are confused, and so we don't think there should be a change in the law," the association says.

Moreover, it says own-brands help to keep shopping costs down, and that customers' choice would be reduced if their marketing was more restricted.

Even without new restrictions, some supermarkets are changing their approach to marketiog their own brands. As food retailers seek to promote customer loyalty to their own stores, their interest increases in packaging their own-label products to reflect their own brand values rather than to copy the appearance of brand leaders. Last month, for example, Tesco said it would stop imitating branded product design.

Roger Partington, marketing director at Safeway, said his supermarket chain decided in early 1995 to differentiate its own label designs. "We have a centralised control system for all our designs, to ensure that they do not infringe the law or the voluntary code."

While welcoming that commitment to the code, BBG's Noble says this cannot be a full answer to brand owners' concerns. For a start it applies only to groceries, so other goods are excluded.

An inability to protect their brands weakens the prospect of successful action by brand owners against future copycats. This is because where several products look similar, it is easier for the lookalikes to argue that the appearance is a generic one, giving customers general visual clues to the product.

ADVERTISING

The death of traditional taboos

Death aod drugs references have become acceptable in UK advertising while strong language and violence remain the last taboos, according to research by London advertising ageocy Grey.

Peter Field, planning director, says: "Bad language and violence remain far and away the public's biggest concern. We did not expect such a wide gulf betweeo these and other subjects previously seen as taboo."

Ninety per ceot of respondents would like to see strong language "severely restricted": the same percentage called for restrictions on violence in ads with 43 per cent calling for an outright ban. "There remains a real worry – particularly among parents aod older consumers – about the example set for younger people," Field believes.

However, only 10 per cent thought references to death should be banned from advertising and 60 per cent thought it was fine if treated with sensitivity.

Meanwhile, 35 per cent felt references to drugs in advertising was acceptable; 24 per ceot called for an outright bao. And a minority of people felt references to gay and lesbian people should be banned, although this figure rose from 27 per cent overall to 42 per cent of over-55s.

Sex was widely seen to be acceptable in advertising but more than half of respondents felt it should be restricted to after the 9pm watershed on television. Similarly, 54 per cent would like to see oudity banned until then.

Grey commissioned the study after a number of its campaigns challenged traditional taboos. Context is critical, says Field. "When appropriate to the prodnct and if handled sensitively and in the right medium, the public will accept the inclusion of many subjects previously seen as taboo."

Meg Carter

MARKETING

Difficult numbers to figure out

The total amount spent on marketing in the UK last year was £20bn – probably. But it could have been £25bn or even £30bn, no one really knows.

This uncertainty is evidence of a curious paradox. On the one hand, marketing is vital to business and accounts for truly staggering sums of money; on the other, much of it is ill-defined and unaccountable.

There is little understanding outside the discipline of bow marketing budgets are arrived at – even though they are sometimes the largest single company expenditure.

There is no standard vocabulary, no agreement on how to measure the effectiveness of these vast budgets. There isn't even an agreed definition of what constitutes "spending on marketing".

It prohahly includes advertising, direct marketing, promotions and public relations. But what about price maintenance and a host of other activities?

Now the professional bodies concerned with marketing in the UK bave decided enough is enough and have quietly formed a coalition to finance a research programme that could finally nail those issues.

"Marketing Metrics" is a 30-month project funded by the Marketing Council, the Marketing Society, the Institute for Practitioners in Advertising and the London Business School.

It aims to set common standards for terminology and develop models of best practice, particularly in the important area of measuring marketing effectiveness.

"Marketing is an engine of growth in any business. But if marketing spends are to be bandled in a more professiooal fashion, there must be commonly agreed ways of assessing its effectiveness," says Tim Ambler of the London Business School, leading the research.

If successful the project will shed much needed light on the arcane processes by which huge marketing appropriations are arrived at. For although no company will admit that the setting of marketing budgets amounts to little more than guess work, there is consensus among commentators that the process leaves much to be desired.

"The general standard of decision making is deplorable. Bigger companies tend to do it well, but the average UK company depends on rule of thumb and force of personality of the marketing director," says Dr Simon Broadbent of the Brand Consultancy.

> One way to set a budget is to take last year's spend, add a bit for inflation and add a bit more in the hope of increasing market share.

"Tha fundamental problem," argues Keith Holloway, former commercial director of Grand Met, "is that the number of variahles are so great. Marketing hudgets find it hard to demonstrate the same cogent reasoning evident in other areas."

One company that does set budgets according to the text book is the credit card Visa. "The principle is quite simple," says Adian New, head of brand management at Visa Europe. "We look at our husiness requirement, work out what marketing activity we need to meet it and then cost that activity.

"We know from experience that yon have to hit x per cent of the population y times with a message successfully to achieve marketing objective z, so we can work out how much money we need."

Sounds good. The trouble is that even within this elegant process, there are all sorts of variables to go wrong – what your competitors are doing, the economic climate, media costs and of course the quality of marketing material.

One way to set a budget is to take last year's spend, add a bit for inflation and add a bit more in the hope of increasing market share.

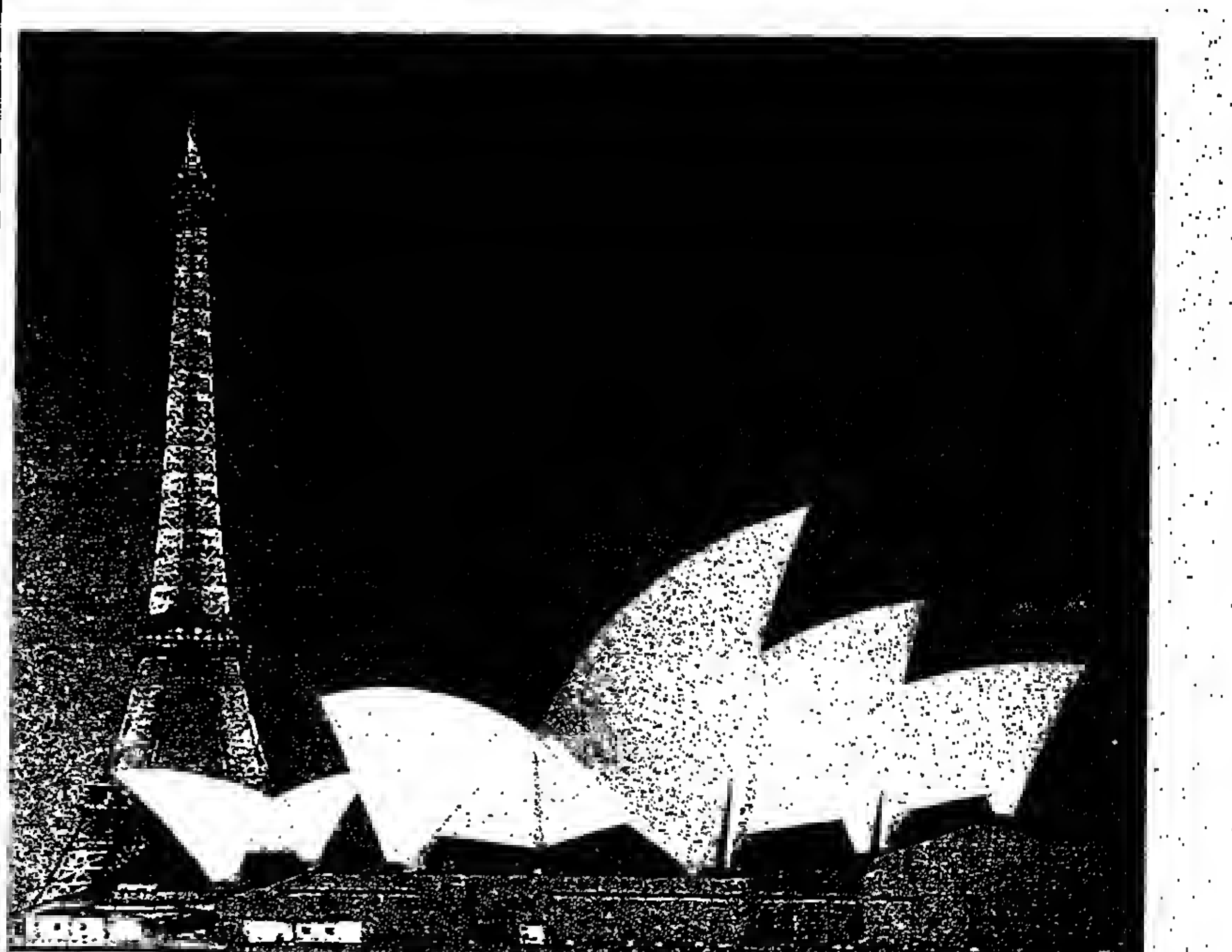
"It may sound crude but at least it has the advantage of building on experience rather than trying to forecast a long list of imponderables," says Holloway.

Some marketing directors take tha view that they should stay in line with average spending, as a percantage of sales fnr their sector. Others operate on the "share of voice" principle: a certain share of sector sales should spend a similar proportion on sector marketing.

Few marketers have the candour of David Pyne, managing director of Pepe Jeans, whn admits virtually to plucking figures from the air. "We just spend what we can afford. We have recently increased our budgets by 50 per cent. There was no particular rationale to it, it was just what we felt we needed to meet our business nbjective of building a strong long-term brand."

Often, though, when a marketing director takes a hndget bid to the board, common sense can fly nut of the window. According to Hnlloway: "Budget-setting is often a matter of negotiation. If other parts of the company have more pressing needs, say to build a factory or finance an acquisitinn, often marketing bndgets are slashed with little reference to the welfare of the brands."

Alex Benady



MEDIA

The invasion of Ireland

British TV encroachment is not welcome everywhere, writes John Murray Brown

When an Irish minister recently dared suggest the loss of the multi-channel TV services might revive the art of conversation, he was jeered and heckled by locals in his North Mayo constituency.

For out in the wind-swept west of Ireland, the advent of BBC and ITV, received through unlicensed aerial transmitters, has attracted a huge following.

Such is the strength of feeling over the issue, that supporters of the so-called "deflector" groups even threatened to put up candidates in the Irish general election called last week, until the outgoing telecommunications minister Alan Dukes promised to review the licensing procedure.

But the issue has not gone away. Tony O'Reilly, the Irish billionaire whose Princes Holdings has a number of licences to operate microwave cable transmissions in the area, estimates these operations are costing his company I£21m.

But the appetite for British TV – picked up as part of the signal overspill from the regular Northern Ireland and Welsh services – is merely symptomatic of the much wider phenomenon of the encroachment of the British media into Ireland.

A recent Irish newspaper article suggested the Irish were already supporting Manchester United and Chelsea, shopping at Tesco and Marks and Spencer, and watching British Sky Broadcasting and English TV.

The encroachment has already had some adverse financial impact on Radio Telefis Eireann, the state broadcaster, with its tiny budget. Bob Collins, RTE's new director-general, estimates the advent of Sky and other multi-channel services has put up the cost of acquiring the rights to sports and other foreign programmes by 25 per cent.

Collins says RTE's ability to purchase these rights may soon become "unsustainable". He complains that many of the key events – like the English football league which RTE used to show live on a Saturday afternoon – have now been tied up in big deals with the cable TV companies. "I think it's undesirable that sport is traded as a commodity without regard for its role in the community," he says.

RTE does not publish ratings breakdowns, a major bone of contention with the advertisers. But officials say the two RTE channels – RTE One and Network Two – account for only 46 per cent of peak time viewers.

Desmond Smyth, chief executive of Ulster TV, says television advertisers are already beginning to look at the island as a single unit.

Increasing numbers of companies like Guinness and Coca-Cola are marketing and distributing their products north and south. UTV estimates that 20 per cent of the adverts it carries are booked through Dublin agencies. Smyth points out that UTV can offer companies 40 per cent of an all-Ireland market.

The inroads British newspapers are making is seen as an even greater threat by O'Reilly's Independent Newspapers Group, which accounts for four out of five newspapers read in Ireland. The Irish newspaper industry is in a unique position, sharing as it does cultural and linguistic links with the UK. This makes it especially vulnerable to UK imports.

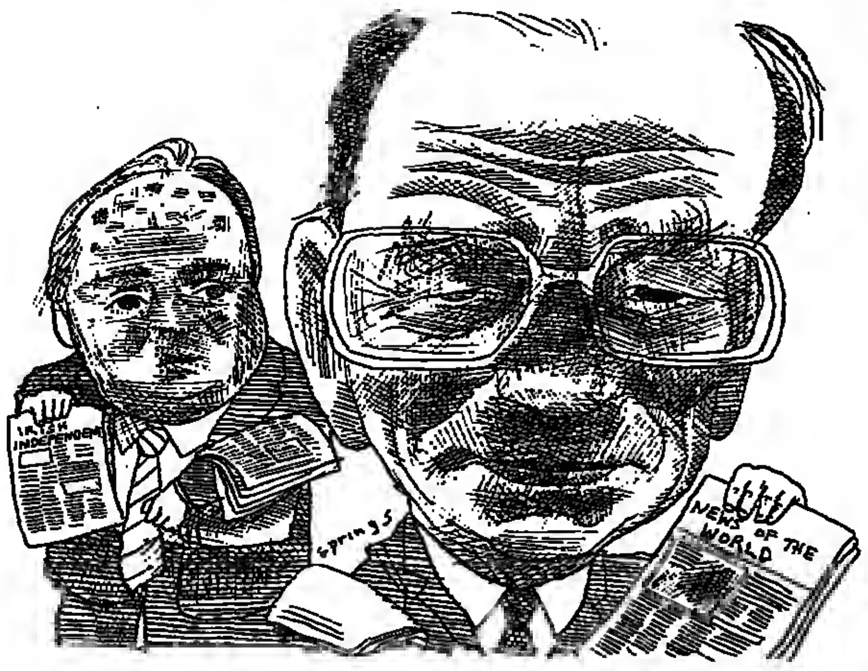
According to O'Reilly, in his company's 1996 annual report: "Try to give the New York Times away in Dublin or the Irish Independent in Cape Town, and you can't. The populace are wedded to their local brand."

His footsoldiers in Dublin are less confident. Independent Newspapers has lobbied the outgoing government, as well as talking to the opposition Fianna Fail, to introduce legislation to ban selling below cost.

This move is targeted at Rupert Murdoch's News International, whose main UK titles, particularly the tabloid News of the World and the broadsheet Sunday Times, are making gains in the Irish circulation wars.

News International representatives have also been walking the Irish corridors of power during the past few weeks, meeting politicians.

A senior official at the Competition Authority said last week that before any legislation is introduced it is likely it will have to be cleared with the European Commission in Brussels. For since the advent of the Single Market, there is no such thing as dumping within the EU. The charge of selling below cost, he believes, will be hard to prova.



FINANCIAL MEDIA

Bloomberg muses on UK mid-market

Raymond Snoddy talks to the financial information magnate about his plans

Mike Bloomberg – the man who has made his name synonymous with machines which offer analysis, not just data – is mulling over the possibility of getting involved in a new financial and business newspaper in the UK. But he's not sure.

"I think you could do it. The question is: would it sell?" Bloomberg asks, during a whirlwind trip to London last week to promote his new book, *Bloomberg by Bloomberg*.

He is sure that he doesn't want to launch a daily newspaper in the US, partly because it would be difficult to dent the circulation of the Wall Street Journal, but mainly because he makes money sending a business and financial news service to 700 US newspapers.

But he is clearly intrigued by the UK, where his name already appears over the top of the business pages of the Independent on Sunday – and where he would have ready-made partners in the form of the Mirror Group and Tony's O'Reilly's Independent group of Ireland.

"The right connection, the right day, the right things come together – you do it," says Bloomberg.

The newspaper he has in mind would not compete head-on with the Financial Times. "You could kill yourself for nothing doing that", Bloomberg believes. But a mid-market paper, a business and financial version of the Daily Mail which is not aimed at chief executive level but at "the workers" of the financial world – that, he says, might work. At the moment, though, it is only an idea.

There would be the clear advantage of having a vehicle that would boost the Bloomberg name. "There's the embarrassment if it doesn't work," says Bloomberg in a car journey on the way to the airport, fitting in one last interview before heading back to New York.

Mike Bloomberg: clearly intrigued by the UK

He denies any immediate plans. "I would pass a lie detector test. As God is my witness, I have no current plans to do it [launch a London paper]". Then he defines what he means by current. "But if your crystal ball saw me doing it six months or six years from now – or not doing it. Sure," says Bloomberg in a sentence that lacks his customary clarity. He then suggested that the partner which would make most sense to launch such a paper with would be Pearson, owners of the Financial Times.

Bloomberg sees few other problems affecting his business at the moment. Dow Jones, publishers of the Wall Street Journal and owners of Dow Jones Markets, the financial information service formerly called Telerate, faces real problems. He believes they will find it difficult to catch up. Dow Jones Markets will invest $650m during the next three to four years to revitalise the business.

"The right connection, the right day, the right things come together – you do it."

"We are using the Internet today. They are talking about using it in three years."

He concedes, however, that if Bloomberg doesn't keep on improving the product "eventually whether its the FT, or Reuters, somebody will catch us up".

During the next two years or so, Bloomberg expects the company to stay private and just do more of what it does already – focusing on serious news for the "upscale" market around the world. There will be a lot more Bloomberg television.

"We are doing more general news and I think you have to because nobody is going to read our services, watch our services, listen to our services unless, for example we give them sports. Our audience demands sports and they will go elsewhere if we don't give it to them and we will never get them back," says Bloomberg.

He believes that the FT's plan to invest heavily in developing its presence in the US will be difficult to pull off because of the strength of the Wall Street Journal but that the US is a necessary target. "America is the world's biggest securities market for them [the FT]. Not to have a major presence there is preposterous," he says.

His parting shot is devoted to Pearson. "For a stuffy British company to take an American woman [Marjorie Scardino] as chief executive – it's inconceivable they could do that, and yet they did it, and she happens to be very smart and the right person."

TELEVISION

German cable forum

Tomorrow the leading figures in German television will meet in Bonn at the invitation of Ron Sommer, chief executive of Deutsche Telekom, the partially privatised telecoms company. They will be attempting to end more than a year of bickering and agree a strategy for the future development of the country's cable network.

Few expect the meeting, which will be attended by representatives from the public sector networks, politicians involved in media regulation and the heads of the leading commercial television companies, to deliver an immediate result. But the hope is that common ground will finally be established.

At issue is Telekom's cable network which reaches over half of all German households and is the preferred method of reception for the majority of viewers. As such cable is already the most important means of television distribution in Germany.

But cable is also a cornerstone for the development of digitally broadcast television. Through the compression of signals, digital television creates the possibility for many more channels than traditional analogue-broadcast programming.

In turn this multi-channel capacity creates the base for the dramatic expansion of pay-TV through which subscribers can access countless theme channels, become spectators at top sports events and have greater choice in the titles and the transmission times of films.

So far, however, all this remains pretty much on the drawing board. For while everyone can agree on the immense possibilities offered by digital pay-TV, no one has been able to agree on how to realise them.

The main areas of dispute are: access to the cable network; subscriber management; and the technological standards for decoding the digital signals.

● On Access Telekom is committed to the digitalisation of the network and open to any broadcaster accessing it. The criticism is that it is not doing this fast enough - with the result that those networks which are squeezed out of cable are *marginalised*.

Public sector broadcasters, which are financed by licence fees, worry that even in a multi-channel future their plans for free digital television may be edged out by the more lucrative business of their commercial competitors.

● On subscriber management Telekom sees itself as more than just the provider of a sophisticated delivery channel. According to Sommer it wants to see a "shift in the balance of the value chain". Which means it wants greater influence in the area of billing and management of subscribers.

The latter is something to which the commercial broadcasters with pay-TV interests are opposed. "Subscriber management is one of the main aspects of our operations," says one commercial television executive. "Through it we know who our customers are."

Knowing your customers gives you greater control of your business. Without subscriber management the commercial companies say *they* would be reduced to the role of mere programme providers whose output would be packaged up by Telekom.

● On decoding the row centres on the choice of software and the boxes in which this sits. The Munich-based KirchGroup has invested heavily in a sophisticated system – the 'd-box' – which alongside its prime decoding function also offers functions such as Internet access.

Its commercial rival CLT-Ufa, the pan-European media group half owned by Bertelsmann of Germany, has invested in an alternative system. But while both are technologically impressive they are also relatively expensive.

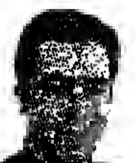
Telekom meanwhile has toyed with the idea of a "dumb box" – a simple, relatively cheap decoder dedicated to unscrambling digital television signals.

Given the sums of money already invested in technology, reaching a compromise on this issue is unlikely to be easy. The irony is that, beyond price, the type of technology is probably of no interest to the group of people who will not be present tomorrow, but on whom all pay-tv development scenarios depend: the viewers.

Frederick Stüdemann

Tim Jackson · On the Web

Rules for a readable site



How do you design a good website? This question, until recently the sole preserve of graphics people and computer programmers, is turning into a concern for just about every manager on the planet. As the World Wide Web has become part of the business mainstream, it has spawned an industry of thousands of small web design studios – and a new category of guru.

The latest is Roger Black, an award-winning print designer who has worked for the New York Times and Rolling Stone magazine. In a new book, *Web Sites That Work*, Black lays down what he believes to be the rules of this new game.

One rule, not mentioned explicitly, is "Promote thyself": the *book, ghosted* by a New Yorker writer, contains 14 pages of photos of Black, 30 of his work since 1970, and numerous pictures of his desk, office, colleagues, and the work of his companies. That's no criticism. You would take Black less seriously as an adviser on using the Web as a promotional tool if he were unable to maximise the *opportunities presented* by *the book*.

In many ways, the book obeys his own rules admirably: following the principle that "the only person that will read every word of what you've written is your mother", he has made the book eminently dippable.

He argues that many rules of classic design still apply on the Web. *White*, black and red are the best colours. Don't space out lower-case letters. Don't use all capitals. Limit yourself to one or two typefaces.

Make everything as big as possible. Treat covers as posters. Vary the texture of layouts by breaking up big blocks of text with pictures, and vice versa.

Turning to the issues that are unique to the Web, Black warns against big, slow graphics. He points out many people use 13-inch screens so designers should avoid layouts too big to be viewed on them. He advises against mixing too many colours, being inconsistent in the way hypertext links are displayed, and using text or type that is too small.

But there is an inconsistency at the heart of his argument. Although he pays lip-service to the importance of minimising the time it takes to download a web page, Black cannot resist displaying his design talents.

He argues that icons make better hypertext links than simple texts because *they are more intuitive*. Also, many of the pages that win his praise are evidently heavy on graphics.

Here, then, are what I believe to be the four golden rules of web design from a consumer's point of view:

1. Download speed is the most important thing of all. This is particularly true outside the US, where most people have to pay a phone company to surf the web.

Most websites still flout this rule; I've noticed that the quantity of graphics has risen in the past year much faster than the bandwidth of the average modem.

A good rule is to minimise the use of graphics files, and make sure the pages make sense with graphics switched off. This gives rise to Rule 1A – to use Java scripts and animations sparingly. Few animations raise more than a faint smile with users. Many provoke a frown, particularly when they have to wait a minute or more to see them.

2. Cut the clicks. Because it can take 10 seconds or more to establish a connection with a website, every extra click required of the user imposes a further delay. Better to put more information on each page. In the 10 seconds it takes to establish just one new connection, publishers can send 10,000 words. The full text will arrive while the user reads the first 100 words.

Black argues, correctly, that most people look only *at the first screenful of a* page. He offers "no scrolling" as a useful rule.

But there is a good way to get round this problem: build bigger pages by all means, but use links within the page to help people navigate around without having to load a new file. Links within pages are one of the *most useful* but *also* most underused devices.

3. Avoid hierarchies. Penguin USA has a home page promoting its books that contains no book-related material at all - just links to other pages that do.

This is like putting nothing on the front page of a newspaper but the contents. People should not have to follow a link to "What's New"; the newest, most interesting thing on the site should be right there. They should also be able to get to another part of the site easily without having to go back through the last six pages they saw.

4. No frames. A much-overused web technology allows site owners to break up a page into pieces, each separately scrollable and operates like a mini-page in its own right. This exacerbates the download problem; the frames also do funny things when users try to save the page on PCs.

These rules are by no means sufficient for designing a good website. But they are certainly necessary. I estimate that at least half the pages out there break at least one of them.

Web Sites That Work *by Roger Black with Sean Elder, Adobe Press, £41.50 ($45).*

tim.jackson@pobox.com

Travel Update · Roger Bray

Bumpier rides

Keep your seat belt fastened over the North Atlantic. Pilots from at least five countries have reported an increase in wake turbulence incidents in recent weeks. This follows the reduction of minimum vertical separation between airliners from 2,000ft to 1,000ft, which took effect at the end of March. It happens when air disturbed by one jet aeroplane buffets another flying nearby. The International Federation of Airline Pilots, which is collating information on the problem, says instances have been described variously from "slight to severe". The cut in separation has been made possible by improvements in the accuracy of altimeters and enables pilots to save fuel by flying at the most efficient altitude.

High-speed cash

German Railways has introduced cash dispensers on some high-speed ICE trains between Kiel or Hamburg and Stuttgart or Basle – and between the last two cities. But take care. Eventually they may be adapted to take all kinds of plastic, but at present they accept only Eurocheque cards.

Partner benefits

Airline partnerships are regarded with suspicion by consumer champions but they can bring passenger benefits. Early advantages from the sprawling "Star Alliance" between United Airlines, Lufthansa, Thai Airway International, SAS, Air Canada and Varig, which was formally launched last week, will include reciprocal privileges at 179 airport lounges and the ability to collect mileage points on any of the carriers' flights. Where possible, the partners will operate from the same terminals, making it easier to change aeroplanes.

Cholera warning

Cholera has broken out in Tanzania, the World Health Organisation warns. The first cases were reported in Dar es Salaam, before spreading to seven other areas. Between January and the beginning of May nearly 3,000 cases with more than 100 deaths had been reported. Cholera has also been reported in Zanzibar where there have been 30 cases, two fatal, since the end of March.

Costly lapses

Air passengers are remarkably tolerant when flights are delayed but are much less forgiving if they get the wrong seat – particularly if they are non-smokers stuck in the smoking section. A study has compared the frequency with which service lapses with the risk that they will drive customers away to rivals. The research, conducted by an unnamed European carrier, has been published in the International Air Transport Association magazine, Airlines International. The five problems which happen least often but are most likely to cost business are: slow delivery of baggage, missed connecting flights, long waits at check-in, discourteous cabin staff and scruffy aircraft.

Cambodia route

Phnom Penh, Cambodia's capital, is moving back into the reckoning as a business destination. Taiwanese carrier EVA Air believes it will soon rival Vietnam's Ho Chi Minh City as a trading centre. Yet there is still no launch date for the airline's proposed flights to the city from Taipei after the original April 10 start was postponed.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	30	28	27	[illegible]	27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Frankfurt	25	21	18	19	[illegible]
New York	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
L Angeles	24	24	22	26	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	22	20	19	19	21

Amon Cohen offers information and advice for a successful trip to Tashkent

Key to the treasure trove

The teeming bazaars of Tashkent offer so rich an array of produce that – according to the locals – you can even find a camel's egg for sale. For western companies, Uzbekistan, of which Tashkent is the capital, is a marketplace of similar variety and potential.

Neighbouring Kazakhstan, which has received more attention from investors, has oil in abundance. Uzbekistan is also blessed with natural resources, including oil, gas, cotton, copper, gold and uranium - as well as a fine selection of fruit and vegetables.

Business travellers are visiting this central Asian republic principally to help turn these primary materials into secondary products. The infrastructure to support them is rudimentary but improving rapidly.

For accommodation, the top hotel is the recently opened Hotel Inter-Continental Tashkent. A huge, gleaming structure in the middle of the city's dour Soviet 1960s architecture, it looks as if it has been beamed down from another planet.

Inside, it functions as smoothly as any five-star hotel. Guests will be grateful for the immaculate plumbing – there are few lavatories of western standard to be found in the rest of the country. Prices reflect the rarity of the commodity – published rates start at $255 (£157) for a standard room.

Eating out also offers some fine options but can be expensive. At western-style restaurants, expect to pay more than $50 – the average monthly salary in Uzbekistan.

Outside Tashkent, you are more likely to end up dining at the home of a local. The opportunity to sit in a shady courtyard, eating fresh bread, salads and herbs, followed by the national dish *plov* (much like pilau) is one of the greatest joys of visiting the republic.

Uzbekistan practises a liberal interpretation of Islam, so alcohol can easily be obtained in Tashkent's limited range of bars and nightclubs.

Business travellers may opt instead for the opera. It is not up to Bolshoi or Kirov standards, but the handsome opera house – built by German prisoners of war – staged a highly acceptable *Otello* when I was there. The best seats cost 200 sums, about $1.50.

Telecommunications are more of a problem. Obtaining a line out of the country can be difficult and expensive. The Inter-Continental charges $7 per minute to the US and $8 to Europe.

But the greatest problems of all are posed by the bureaucracy. The government likes to exert control, which is clear from the struggle to obtain a visa to enter the country. Matters are improving – western diplomats say applications, which used to take six to nine months, now take five to seven days.

Generally, foreigners must obtain visas before reaching Uzbekistan. This can happen only if you receive permission from the Ministry of Foreign Affairs, which in turn requires a letter of invitation. This may be procured from any company registered in Uzbekistan. However, a wily specialist travel agent may have other solutions to this.

Once inside the country, problems continue with foreign exchange. Travellers' cheques are useless and payment cards little better. More frustrating, establishments are officially allowed to accept only the sum, a non-convertible currency. The official exchange rate is an unrealistic 60 sums to the US dollar. Black market traders offer around 140 sums.

Police surveillance is common – there are checkpoints situated every few miles along the road from Tashkent to Samarkand. For the business traveller, this heavy police presence makes Uzbekistan fairly safe.

Unfortunately, however, bureaucratic interference is not confined to road checks. "You can spend a lot of time on things that are not an issue in the west," says one diplomat. "There are no commercial codes and no reliable tax codes. Everything is treated on a case-by-case basis and there are a lot of processing fees to be paid."

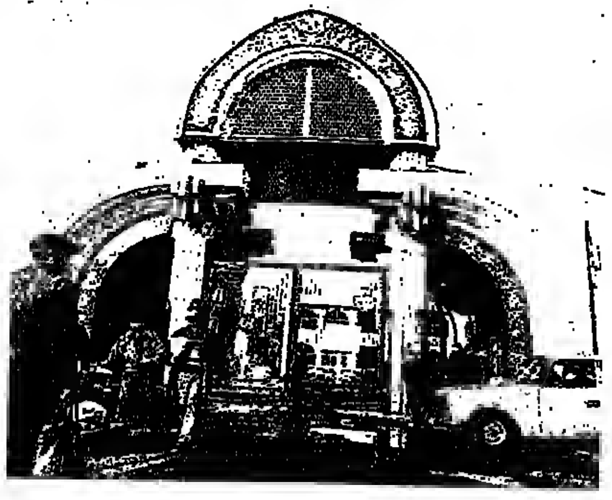
The situation is not uniformly bleak. Certain favoured projects are flourishing without impediment.

"The government is satisfying our requirements and is willing to co-operate," says Marc Duval, manager of one Uzbekistan's largest initiatives, a project to build a refinery in Bukhara.

Duval says that fast-track treatment from the Uzbek government ensures the project will finish on time next month, allowing the processing of 50,000 barrels a day. He admits there are frustrations but believes that the government is showing greater flexibility.

Even jaded diplomats, tired of seeing excellent investment prospects crumble to nothing, forecast a bright future for Uzbekistan and its treasure trove of natural resources.

"Short-term, Kazakhstan is a better bet," says one. "But it only has oil. Long-term, Uzbekistan is where some of the biggest opportunities are in central Asia."



Panos Pictures

Bazaar story: camel's eggs for sale – so the locals say

What you need to know

Lufthansa flies to Tashkent three times weekly from Frankfurt. Others serving the capital include Asiana, the South Korean carrier, Pakistan International Airlines and Turkish Airlines. Uzbekistan Airways is rated one of the best post-Soviet airlines and is cheap. Its destinations include London, Amsterdam, New York and Tel Aviv.

● Hotels: Top of the range is the Hotel Inter-Continental Tashkent. There is one other western hotel – Le Meridien. French hotel group Accor is said to be planning a property near the airport and Steigenberger of Germany has been linked with another four-star hotel in the city. For Soviet era conditions and lower prices, try the Hotel Uzbekistan.

● Restaurants: The Inter-Continental's Middle Eastern and Italian restaurants; a first-rate Turkish seafood restaurant called the Opera; the New World for Korean cuisine and sushi; and the Lucky Wheel, which has both Indian and Italian dining.

Have internet, will travel

In the US the peak time for looking at hotel sites on the World Wide Web is 1pm. The peak booking time is 8pm.

John Davis, chief executive officer of Pegasus Systems, concludes that people may dream of far-away places at work after lunch, but they make their decisions at home after dinner, having talked to the family.

Pegasus is the parent company of TravelWeb, the biggest international online hotel booking service.

Not all workplace surfers, however, are planning their weekends in the sun in Florida. "If they are, there would appear to be huge numbers of people holidaying alone," says Davis.

From December to February 45 per cent of hotel bookings through the Travelweb site were for individuals spending one night – which suggests business travellers are using the web as a tool rather than a toy.

Davis, visiting London to launch an online last-minute discount program with Inter-Continental Hotels, says a customer survey has shown that most people spend nine minutes on the site, which has 14,000 bookable rooms provided through a network of 30 hotel chains.

The majority of bookings are made for US hotels, with 15 per cent of those in California. But bookings made from other countries are rising – from 18 per cent in June to 35 per cent in April – with most activity in the UK, Canada, the Netherlands, Germany and Japan.

According to Datamonitor, a London-based management consultancy, new channels such as the internet could account for a growing amount of travel sales in the UK – from less than $1m now to $1bn in five years.

Davis says that in the US, consumer bookings on the internet are "mirroring traditional trends". In other words, a percentage of business and leisure travellers have always dispensed with travel agents and made their own bookings.

After expanding to include airline booking last year, Davis says that it is becoming easier for Travelweb to identify surprising trends - such as the small but growing band of travellers from the UK who are making online bookings as much as four months in advance, with 85 per cent booking non-smoking rooms.

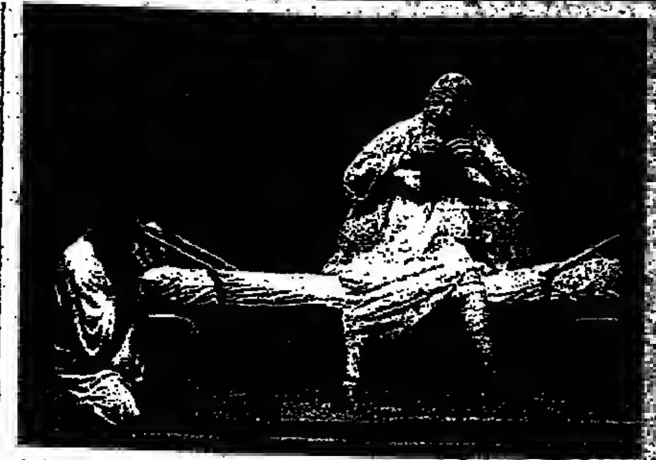
Travelweb has an online business traveller centre but, says Davis, there is potential to develop a specialist corporate travel service with individual software on an intranet.

Marian Edmunds

http://www.travelweb.com

ARTS

OPENINGS



LONDON
From Romania, the National Theatre of Craiova presents its production of Shakespeare's *Titus Andronicus* (above), directed by the company's mastermind Silviu Purcarete. *The staging, which tours Britain,* opens tomorrow at the Hammersmith, Lyric Theatre.

WOLFSBURG
A large-scale retrospective of American multi-disciplinary artist Bruce Nauman (b.1941) will be unveiled on Saturday at the Kunstmuseum in this north German industrial town. [illegible] audiovisual [illegible] in Paris in [illegible] spring.

GLASGOW
[illegible] the [illegible] explored in a major exhibition [illegible] the McLellan [illegible] Friday. More than 300 works, including significant loans from around the world, will look at the [illegible] impressionism, and follow its development and final flowering.

CARDIFF
Welsh National Opera stages a new production of Verdi's *Simon Boccanegra* at the New Theatre tonight. Conducted by Carlo Rizzi and directed by David Pountney, *it is the first of* three productions of this opera in the UK over the next month. The other two, both at Covent Garden, offer a direct contrast between Verdi's little-known first version of 1857 and the standard 1881 version.

NEW YORK
The Museum of Modern Art has organised an exhibition on the innovations which 20th century artists have introduced to the tradition of *still life painting*. It opens on Sunday and travels to London's Hayward Gallery in October.

After a two-year reconstruction, the Metropolitan Museum's galleries for Chinese art re-open on Thursday. The expanded *exhibition space will house the* museum's world-renowned collections of Chinese painting, calligraphy, jade and other objects from the eighth to the 20th centuries.

CHARLESTON
Known as Spoleto USA, the *festival in this South Carolina* city is still trying to pick itself up *after the acrimonious* split four years ago with its founder, Gian Carlo Menotti.

The chief attraction is its round-the-clock mixture of artistic disciplines. The 1997 *programme,* opening on Friday, includes Britten's *Curlew River*, the San Francisco *Ballet and a* new jazz-theatre piece featuring trumpeter Jon Faddis (right).

Buccaneer of classical music

Andrew Clark talks to Klaus Heymann, founder of a cut-price record label which leads the field

A strong scent of *Schadenfreude* will permeate Naxos's 10th anniversary party on Thursday. While Polygram and other labels struggle to stem the slump in classical record sales, Naxos can look back on a decade of unrivalled growth. In 1997 it expects to sell 14 million budget-price CDs – double what it sold just four years ago.

Since Naxos issued its first releases in 1986, the majors have seen their full-price core classical sales shrink from 40 per cent of the world market to around four per cent. Over the same period, Naxos – charging £4.99 per CD against the majors' full price of £14.99 – has raised its market share to 15 per cent. Take away the Three Tenors, compilations and "off-classics", and the figure is more like 30 per cent.

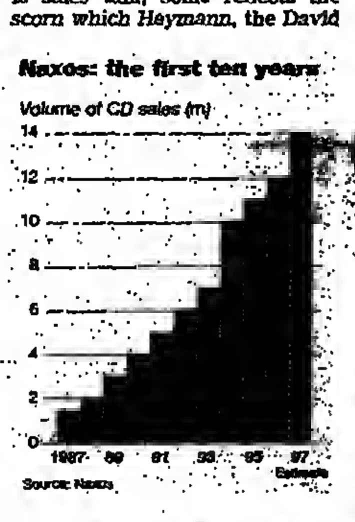
So Klaus Heymann, Naxos's German founder, will have every reason to smile as he welcomes guests to his party at London's Institute of Contemporary Arts. The anniversary bash will be true to Naxos's utilitarian, gimmickless image. That is what lured people into choosing Naxos in the first place. The quality was acceptable, the repertoire was wide, and you got three CDs for the price of one. Naxos became an impulse-buyer's paradise.

Beyond the anniversary celebrations, however, Naxos finds itself at a crossroads. It faces increasing competition in the budget market, where rivals are copying its methods; Heymann has already cut this year's production by 50 per cent. It has started committing itself to complete cycles of composers' works – a far cry from the one-off, low-risk approach of its infancy. It has embraced esoteric repertoire like Sallinen and Stenhammar, with whom it cannot hope to maintain the 50,000-plus sales per disc that powered its growth in the core classics. And having saturated traditional retail outlets, it is toying with the idea of selling through bookshops and supermarkets – where margins are wafer-thin. These developments have raised doubts about whether Naxos can keep up its phenomenal rate of growth.

Such doubts are reinforced by changes within Naxos itself. Heymann, 60, has announced he is stepping back from day-to-day management. Hakan Lagerqvist, who heads Naxos's highly successful Swedish operation, will become managing director; his deputy will be Anthony Anderson, currently Heymann's right-hand man at Naxos headquarters in Hong Kong.

Is Naxos losing momentum, as some record industry commentators suggest? Heymann ridicules the idea. He says Naxos could soon be the only classical label stocked by mainstream record stores. "Classical departments are shrinking, the traditional business is almost dead. The only stuff the majors can sell is crossover and compilations. That's why dealers find it attractive to stock Naxos: we cover the repertoire, from Vivaldi to Beethoven, Tallis to Messiaen, for a very modest investment." Some of this is sales talk; some reflects the scorn which Heymann, the David of the record industry, likes to pour on Goliaths like EMI and Polygram. Most of all, however, it illustrates Heymann's nose for the market. He may describe himself as "basically a record collector who loves music", but the success of Naxos stems from his pragmatic business skills.

Naxos: the first ten years



Heymann began his career working for a US armed forces newspaper in his native Frankfurt, and was sent to Hong Kong in 1967 to set up an office. Within two years he had established his own mail-order business, selling watches, cameras and audio equipment to GIs in the Vietnam war. He was soon importing cheap classical records and promoting the Hong Kong Philharmonic – where he met his wife, the Japanese violinist Takako Nishizaki.

Using orchestras in Hong Kong and Singapore, Heymann began to make his own recordings of Chinese and rare western repertoire. When the manufacturing cost of CDs began to drop in 1986, Heymann saw the potential of a budget label which could undercut the majors.

Within a year Naxos was born. By 1992 it had a catalogue of 700 CDs and a turnover of £22m; the figures today are twice that amount. Heymann says his annual return on investment is around five per cent. All profits are ploughed back into the business, which he and Nishizaki own jointly.

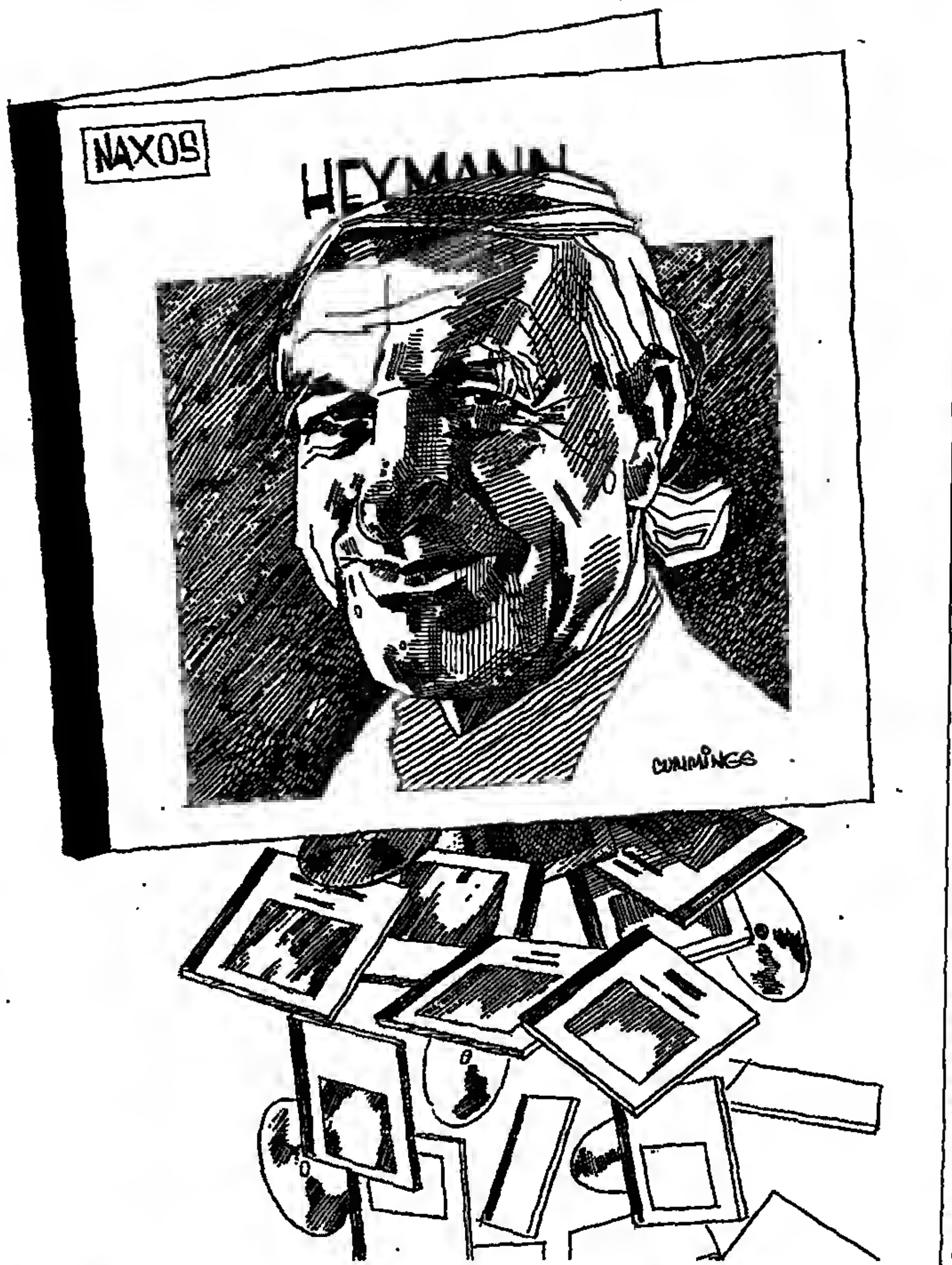
Heymann's strategy was simple. Given the technical consistency of the CD format and its cheap cost-base (still less than £1 per disc), all he had to do was keep down the cost of the music. He did this by employing little-known artists, initially from east Europe, and paying them a fee for each recording – thereby avoiding huge advances on royalties. His next step was to persuade retailers to display Naxos records separately, with its plain white covers facing record-buyers when they entered a shop. Naxos was soon one of the most recognised brands in the industry.

Consumers were attracted by the price, retailers by the quick turnover. Heymann's priority was to keep the business streamlined and flexible. He bought equipment locally, refused to duplicate repertoire and stuck to remarkably tight margins.

Naxos still has only 20 full-time employees, with a further 180 working for various distribution companies in which Heymann has a stake. The arrangement is a shrewd one, because it gives him a direct line to local markets without having to worry about overheads. "I don't spend any more than I can take in at the end of the day," he says.

At first, connoisseurs and industry insiders turned up their noses. That attitude has changed. Last year Naxos made 85 recordings in the UK, using orchestras which also work for the majors.

Quality is no longer an issue. Naxos recordings get generous air-time and good reviews. Revenue is pouring in from broadcasts, commercials and licensing deals: Microsoft and Reader's Digest are Naxos customers. And with the latest Lutoslawski and Gubaidulina issues, the Naxos catalogue has become seriously interesting.



Although Naxos is still based in Hong Kong for tax purposes, Heymann effectively runs it from his home in New Zealand. He talks of "wanting to take three months off for the first time in my life", but in the same breath asserts that "the business is my life".

Despite the company's new management structure, no one expects him to take a back seat. He wants to raise his market share in the US – currently standing at 10 per cent, one of Naxos's lowest. He has just launched Naxos Jazz. Naxos Audio Books is making its mark, and plans are well advanced for a Naxos historical series. Heymann is impatient for the arrival of Digital Versatile Disc, which will enable him to put the nine Beethoven symphonies on one disc. The only medium he is wary of is CD-Rom: "We'd rather license our material to other people who do it. It's more profitable."

A buccaneer with an engagingly casual appearance and straight-talking manner, Heymann is involved in classical music because he believes in it. He says the biggest challenge facing the music industry is to find new audiences and educate them.

Unlike his competitors, he puts his money where his mouth is. Naxos has two introductory guides, *Discover the Classics* and *The A to Z of Classical Music*, each with two CDs and a user-friendly booklet; a more in-depth guide for the apprentice collector is being prepared. Heymann finances several music education projects. He wants to sponsor orchestras willing to try a new concert format, with longer programmes, more frequent intervals and greater variety of music.

The record industry's boom years may be over, but Heymann believes there is a solid future for those who make it easy for the consumer to buy. He says the majors, with their artist-driven approach, have yet to grasp the point.

"They still don't quite understand what we're doing. They say people want quality, they don't want cheap east European recordings – which means they don't actually look at my catalogue. It shows how little they know the market. Yes, we started in east Europe, but we've become the most international record company in the world."

Cabaret

Back to the good old days

In recent years, sophisticated cabaret and London have gone together like caviar and chips. For some reason no chic *boite* has managed to establish itself, offering the late crowd a reminder of the Berlin in the 1920s – or even the London of the '30s.

The Green Room at the Café Royal has tried and tried again and now, after a long dark period, it has re-opened under new management backed by Bill Kenwright, the theatrical impresario. With reasonable prices for reasonable food and a romantically revamped room, it deserves some success.

The problem is that good new cabaret acts are as rare these days as a good audience. The solution is an unholy pact between once-big names in the twilight of their careers meeting their old fans with disposable incomes. So coming up soon at the Green Room are Rita Coolidge, Leo Sayer, Marty Wilde and Gerry and the Pacemakers: Radio 2 on the night shift. Close your eyes and think about the good old days.

Kicking off the season is Cleo Laine and John Dankworth. You could not get finer old troupers. Between them this year they will notch up 140 years. It shows, for better and for worse, in their performance. Their act which has been honed for over 40 years and, in the process, has lost any element of the unexpected.

When it sparkles, as in "Shadowing you", with John, sax at the ready, it is charming and happy. When it falls into that old routine, with an excess of Ellington, it becomes just another Wednesday night gig.

The most remarkable thing about Cleo Laine remains her voice. It is perhaps like eating too many violet creams at one sitting, too honeyed, too rich, but it is still totally at her command. John Dankworth, with his neat pony tail and indulgent smile, is happy to act the foil as his wife plays the old lady and the young tease in almost the same breath.

Thankfully she holds her scat improvisations in check, and generally gives us the standards, whole and unbarmed.

The chat rambles, slightly, the pace is genteel, but when she reminisces about Adelaide Hall's 90th birthday concert and adds "she sung good", we know that she has her eyes on an equally long career and we wish her well.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

ANTWERP

DANCE
De Vlaamse Opera Tel: 32-3-2336808
● Compañia Nacional de Danza: performs Nacho Duato's choreographies *Mediterrània*, to music by Macsso, Tabrizi, Arteche and Paxanño. *Por Vos Muero*, to traditional Spanish music, and *Cautiva*, to music by Iglesias; May 23

BARCELONA

EXHIBITION
Museu Picasso Tel: 34-3-3196310
● André Derain 1904-1912: display of 60 works by the French artist, concentrating on the years 1904-12, when Derain established a lasting friendship with Picasso, the two artists becoming major influences on each other's work; to Jun 29

BELFAST

CONCERT
Belfast Waterfront Hall Tel: 44-1232-334400
● The Moscow State Symphony Orchestra: with conductor Pavel Kogan and soloist Dmitri Kogan in works by Tchaikovsky, Sibelius, Khachaturian and Respighi; May 22

BERGAMO

CONCERT
Teatro Donizetti Tel: 39-35 399 320
● Gerhard Oppitz: the pianist performs work by Brahms. Part of the Festival Pianistico Internazionale di Brescia e Bergamo; May 20

BERGEN

CONCERT
Bergen International Festival, Norway Tel: 47-55-312170
● Joanna McGregor and Leif Ove Andsnes: the pianists perform works by Stravinsky, Szymanowski, Bartók and Martin; May 23

BERLIN

CONCERT
Konzerthaus Berlin Tel: 49-30-203090
● Vogler Quartet: performs works by Beethoven; May 22

GHENT

OPERA
De Vlaamse Opera Tel: 32-9-2230681
● *Così fan Tutte*: by Mozart. Conducted by Lawrence Renes. Soloists include Véronique Gens, and Graciela Araya; May 21, 23

HELSINKI

DANCE
Opera House Tel: 358-9-403021
● Finnish National Ballet: *Firebird*, choreographed by Uotinen to music by Stravinsky, *Duende*, choreographed by Duato to music by Debussy and *Le Spectre de la Rose*, choreographed by Preljocaj to music by Weber; May 20

LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● London Symphony Orchestra: with conductor Sir Colin Davies, pianist Alfred Brendel and the Finchley Children's Music Group in works by Hellewell, Mozart and Brahms; May 21, 22
Queen Elizabeth Hall Tel: 44-171-9210600
● Vienna Singverein: with conductor Richard Stamp and violinist Rainer Küchl in works by Beethoven and Schubert; May 21

EXHIBITION
National Portrait Gallery Tel: 44-171-3060055
● Variations on a Theme: exhibition celebrating Britain's musical heritage of the past 150 years, including rarely seen images from the Gallery's archives; to May 26

LOS ANGELES

CONCERT
Dorothy Chandler Pavillion Tel: 1-213-972-8001
● Los Angeles Philharmonic: with conductor Esa-Pekka Salonen, trombonist Jeffrey Reynolds and the Los Angeles Master Chorale in works by Villa-Lobos, Lipkis and Ravel; May 23, 24

MADRID

EXHIBITION
Museo Nacional Centro da Arte Reina Sofia Tel: 34-1-4675062
● Eugenio D'Ors Critico de Arte: display tracing the developments of Spanish modern art throughout this century alongside the career of Spanish art critic D'Ors; to Sep 15

MILAN

CONCERT
Teatro alla Scala di Milano Tel: 39-2-88791
● Coro di Voci Bianche del Teatro alla Scala: with conductor Bruno Casoni and the Conservatorio G. Verdi in works by Fauré, Galante and Bach; May 22

MUNICH

OPERA
Cuvilliés-Theater – Altes Residenztheater Tel: 49-89-296836
● La Bohème: by Puccini. Conducted by Asher Fisch, performed by the Bayerische Staatsoper; May 22,23,24

NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Julliard: with conductor Hugh Wolff, in works by Strauss, Bartók and Tchaikovsky; May 22

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-8795500
● Cartier: 1900-1939: exhibition tracing the progression in styles at Cartier from the turn of the century through to the 1920s and '30s. On display are more than 200 examples of jewellery, clocks, watches, and boxes, as well as design drawings and recently discovered casts made from the finished jewels; to Aug 3

PARIS

EXHIBITION
Musée Auguste Rodin Tel: 33-1 47 05 01 34
● Vers l'Age d'airan. Rodin in Belgium: exhibtion featuring 24 busts, 43 paintings and four portraits of friends of the French artist, covering the period during which ha lived in Belgium (1871-77) and his relationship with Belgian artists and writers; to Jun 15

VENICE

EXHIBITION
Palazzo Grassi Tel: 39-41-5231680
● Dalle Fiandre e Paesi Bassi l'antica etoria dell'arte moderna: exhibition of Dutch and Belgian art of the 20th century, featuring 150 works by artists including van Gogh, Ensor, Magritte, Delvaux, van Dongen, Sluyters and Appel; to Jul 13

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Deutsche Kammerphilharmonia Bremen: with conductor Thomas Hengelbrock, baritone Matthias Goerne and the Freiburger Barockorchester, performs works by Schubert and Brahms. Part of the Internationales Musikfest der Wiener Konzerthausgesellschaft; May 20

WASHINGTON

EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● Picasso: The Early Years, 1892-1906: beginning with Picasso's formative years, this selection of 125 pieces traces the artist's close contact with modernism in turn-of-the-century Barcelona and his subsequent emergence in Paris; to Jul 27

ZURICH

EXHIBITION
Kunsthaus Zürich Tel: 41-1-2516765
● Das Capriccio als Kunstprinzip: display of Renaissance art featuring works by Lotto, Spranger, Arcimboldi and Goya; to Jun 1

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Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Technology • Tom Foremski

Deep Blue's human game

Garry Kasparov's defeat has stirred the controversy over artificial intelligence

As the chess pieces were being put away, and as IBM's Deep Blue supercomputer was being powered down, the question of what world chess champion Garry Kasparov's stunning defeat by a computer means for human intelligence versus computer intelligence was being debated.

For Chung-Jen Tan, head of the team of programmers and chess experts at International Business Machines, Deep Blue's victory was nothing less than a monumental landmark. "One hundred years from now, people will say this day was the beginning of the information age. Historically, for mankind, this is like landing on the moon," Tan said.

For others, the Kasparov defeat meant little more than a victory of computer brawn over brain. The consensus by most chess experts and observers was that it was simply an inevitable result. All it proved was that if you could build a computer that could calculate enough chess positions fast enough – in Deep Blue's case that is about 200m per second – and you could give it a simple set of rules, you would eventually have a victory.

The chess match was promoted by IBM from the beginning as simply a test of its computer programming and hardware that would lead to applications in medicine and other areas with potential benefits for all.

But in reality the contest was widely seen as a match of man against machine. Kasparov certainly saw it that way. In the first series of games, played last year, he spoke about defending the "dignity of humanity" in the face of the cold, calculating power of Deep Blue.

Kasparov won that first contest, but this time around it was that cold, unemotional aspect of Deep Blue that, in many ways, won the contest. Kasparov made mistakes and became flustered, resigning a game he could have drawn.

A large part of chess at the Grand Master level is the psychological aspect that Kasparov is a true master at – as long as he is playing against a human. To that extent, Deep Blue managed to unnerve Kasparov, making it difficult to say if it was solely IBM's technology and the skill of its programmers that won the contest. For example, Kasparov became convinced that some games were headed for a draw simply because Deep Blue had already seen so far ahead that to continue was futile.

During the contest, Kasparov admitted that he was afraid of playing Deep Blue and was not sure why – showing that the machine had a psychological advantage. "Garry has been used to playing against humans for more than 25 years. He didn't stand up to the pressure of playing against a computer and he simply cracked in the end," says Frederick Friedel, computer adviser to Kasparov.

"We did nothing to deliberately unnerve Kasparov," says Gabriel Silberman, an IBM researcher and the chess team co-ordinator. "We did everything we could to try to make him comfortable. He unnerved himself." Silberman says the IBM team could have played the psychological part of the game by choosing unorthodox chess strategies or using a "rapid fire" mode in which moves are made very quickly.

An important question has been whether Deep Blue's performance represents true artificial intelligence. Nearly 50 years ago the UK computer pioneer Alan Turing pondered the issue of what would constitute artificial intelligence. He proposed what is now known as the Turing test – that if a person could converse with a computer via a keyboard and monitor, and could not tell whether they were communicating with a computer, then a degree of artificial intelligence had been achieved.

Although Kasparov clearly knew he was playing against a computer, he said he detected glimmers of true intelligence in Deep Blue's chess playing. If Kasparov had had to guess whether he was playing a computer or a person, Deep Blue may have passed the Turing test, if you could classify chess moves as a "conversation".

Whether or not Deep Blue's victory constitutes true artificial intelligence, it does represent the slow but inexorable gains that computer-based intelligence are bound to make over the coming years.

Earlier this year, at the Association of Computing Machinery's 50th anniversary conference in Silicon Valley, experts debated just what it is that makes us human. Most predicted that within 50 years computers would match the intelligence of humans.

Nathan Myhrvold, Microsoft's chief technology officer, said at the conference: "I fully expect computers to become as intelligent as my dog within 20 years, and they will match the intelligence of humans within 50 years."

This, however, leaves intriguing philosophical questions. As computers match humans in an increasing number of activities, what then constitutes being human?

Having failed to defend the dignity of humanity, a tired and frustrated Kasparov vowed that he would "tear to pieces" Deep Blue in a future contest. He suggested a 10-match contest sponsored by a neutral party.

IBM says it is considering a rematch, but it would not sponsor such an event. IBM says it has fulfilled its objective, which was to test the technologies that it will use in future supercomputer applications. It is not yet clear what the lessons are, Silberman says, and they are still being analysed. But at least one thing is clear: IBM scored a public relations coup, netting millions of dollars-worth of free worldwide publicity.

However, Deep Blue has another challenger. Susan Polgar, the women's world chess champion, says she wants to pit her "woman's intuition" against it.


Deep thought: Kasparov ponders his next move

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Light on church shares in Shell

From Ms Anne Dickens.

Sir, The Church Commissioners own 0.15 per cent of Shell's shares, currently worth £82m ("Shell foils environmental motion," May 15).

Our contacts with Shell have fostered understanding on both sides of complex issues involving environmental, social and political policies. We are not a campaigning body but an investment body with a fiduciary duty to our beneficiaries. We strongly believe our concerns as a shareholder are best expressed directly to the company in an evolving dialogue. We are also in contact with campaigners, who are pursuing similar aims to us in different ways.

Shell has been influenced by direct contact with us and others, as well as by public campaigners. There is no evidence that one form of action is more effective than the other.

Shell's recently revised "Statement of Business Principles" is evidence that it continues to take these issues seriously and recognises the need to be open and accountable about both policy and action. Future dialogue will enable us to respond to the results of Shell's new policies.

Anne Dickens,
head of communications,
Church Commissioners,
1 Millbank,
London SW1P 3JZ, UK

Panglossian panegyrics about merits of globalisation ignore the desperate

From Mr Aidan Foster-Carter.

Sir, Globalisation, which I support, is ill-served by complacent Panglossian panegyrics such as Martin Wolf's ("Far from powerless", May 13). Obvious lacunae in his arguments are:

● Talk of "wise" government and "sensible" policies begs the question posed by Samuel Brittan in your columns ("Better than you deserve", May 3), as to whether what some arrogantly call "economic literacy" really exists. Patently it does not. Humans will continue to pursue varied ends, and even the wise may differ as to means.

Take the debate on when or even whether US interest rates should rise, to ward off inflation but increasing unemployment. There will always be such disputes.

● Further fallacies arise in the blithe presumption not just that there is a single "wise" policy line, but that global markets can be trusted (better than governments) to know what it is and react accordingly.

There are two flaws here. Real markets can be fickle followers of fashion; and they have their own biases. A decade ago, did any market care about the demography of pensions and its implications for public finances? If they are panicking now, could there be the teensiest self-interest in the new insistence that this, like so much else, must be privatised?

● As to what makes economies grow, the IMF's five criteria reflect current cant but not history. Far from being "open to the world economy", rulers from Bismarck to Park Chung-hee opted for tariff barriers and intervention. Were they wrong? Whether this could work now is another matter.

But that raised a further problem of method. Making lists of what countries must do (always? everywhere? all at once?) ignores the context. Could Latin America have grown as fast as Asia at the same time? Was there really so much demand in the world (read western, then) economy?

● But far more than history is at stake. We have seen how alarmingly easy it is, even in rich countries, to rouse a rabble against a "Europe of bosses" or "faceless Brussels bureaucrats". *A fortiori*, how will nations where globalisation means years of pain for many and gain for a sleek few resist the siren song of national socialism?

Martin Wolf and I know this road only leads to misery, but can we be sure that a desperate Russia, say, won't try it if globalisation doesn't deliver soon?

Aidan Foster-Carter,
senior lecturer in sociology,
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17 Birklands Road,
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BD18 3BY, UK

Japanese jawboning

From C. Fred Bergsten.

Sir, Your "East Asian Miracle" (May 14) notes the remarkable impact of recent Japanese jawboning on the yen-dollar exchange rate. So much for those who doubt the efficacy of governmental intervention.

Your editorial missed two important underpinnings of this change. First, the longer run fundamentals have counselled a stronger yen for some time. Japan remains the world's largest creditor and surplus country, the US the world's largest debtor and deficit country. Exchange rates always revert to these more lasting considerations, even when the short-run fundamentals run counter, as recently. The Japanese skilfully reminded the markets of this reality.

Second, the recent budget agreement between the President and Congress in the US clearly point to a lower dollar. Implementation of the pact will reduce American interest rates during the coming months and years. Indeed, Fed chairman Alan Greenspan has always said that a balanced budget would be worth 300 basis points. So the Fed has another reason for backing away from more hikes in short-term rates.

The yen has risen about half way from its recent low to its sustainable level of about 100:1. Will the correction be completed as quickly as it began?

C. Fred Bergsten,
Institute for International Economics,
11 Dupont Circle, N W,
Washington DC 20036-1207,
US

Personal View • Wilhelm Nölling

The test tube currency

The Maastricht treaty plan for the euro should be delayed to avoid a financial fiasco


Euro worries: Kohl and the Bundesbank have to face the unpopularity of Emu at home

During his election campaign, Mr Tony Blair, the new UK prime minister, successfully built his quest for credibility around two words: "Trust me." With the best will in the world, I do not believe that the future president of the European central bank, on present plans, could pull off a similar achievement. Applied to the euro, these words would ring profoundly hollow.

The Maastricht plan for the euro is an experiment full of unprecedented risks. It tampers with a fundamental pillar of economic management, namely people's trust in the value and the proper functioning of their own money.

According to the timetable, in just over 18 months the euro will be with us. Yet it is not too late to avert what could be a financial and political fiasco. The best solution would be to postpone the project. We must take a fresh look at how the European Union could move towards a single currency without the dangers and dissonances that have dogged the Maastricht project.

If the plan for European monetary union were really as simple, as risk-free and as advantageous as its protagonists claim, I would be in the vanguard of those fighting to introduce it on time.

Unfortunately, this project has more "ifs" than Rudyard Kipling's celebrated poem. Under the Maastricht plan, a number of internationally traded and held currencies that have a high degree of stability and confidence are to be replaced by a new artificial unit, the euro – the ultimate test tube currency.

Many people believe most EU members will start Emu, as planned, in January 1999. Such predictions may turn out to be wholly misplaced. It is worth enumerating the many reasons for doubt.

First, the unpopularity of Emu in Germany, which would have most to lose if Emu failed, cannot be ignored. Popular scepticism about the German government's Emu policy has increased since Maastricht was agreed in 1991. This has political consequences that could cast a shadow over Chancellor Helmut Kohl's bid for re-election next year.

Second, European politicians made a grave mistake by pushing forward a fundamental change in monetary arrangements without any new political institutions. Monetary union needs to come after political union, not the other way around. In fact, there have been only desultory steps towards political union, and anything more concrete in coming years is most unlikely.

Third, in the absence of political union, politicians are preparing to set up a fully independent European central bank without any constraints and countervailing political force. Possessing the power to set uniform interest rates and determine inflation rates throughout the euro area, and tied to no other obligation than the maintenance of price stability, the central bank will be uncontrolled and uncontrollable – a monetary version of George Orwell's Big Brother.

Pressed by the Germans, EU governments have agreed a stability pact designed to rein in budget deficits after monetary union, but this is a wholly unsatisfactory approach. The stability pact will not produce the "automatic" sanctions on deficit-running governments that German devotees of monetary stability desire. It will force governments and parliaments to take into account the strictures of the European central bank in running their budgetary policies. Yet there is no mechanism for redistributing fiscal resources between the richer members of the single currency area to the poorer ones.

Fourth, people throughout Europe are likely to focus attention on the need for monetary union to be accompanied by much more mobility and flexibility on labour markets. This is necessary, but not popular. If it becomes evident that Emu is being used as an instrument to push through painful free market reforms, this could lead to an electoral backlash and the eventual unravelling of monetary union.

A fifth source of problems stems from the colossal technical and organisational challenge and huge costs of preparing for Emu. In many important areas preparations are falling behind what is required. Businesses are uncertain whether monetary union will take place and in which countries. In Germany, public sector bodies responsible for huge volumes of transactions are wholly unready for the euro. Many larger banks are making well-publicised preparations, but smaller ones are lagging behind.

Perhaps most important of all for the euro to see the light of day, the celebrated "convergence criteria" will have to be met with considerable precision. Europe has had some success in bringing down inflation and stabilising exchange rates. But there has been a sensational degree of upward harmonisation in unemployment and public sector debt.

Germany's public finances, meanwhile, are stretched to the utmost. We face a disturbing fall in revenues – underlined by last week's forecast of an DM18bn (£6.4bn) shortfall in tax receipts this year – and a continued need for large transfers to east Germany plus steep increases in payments for social welfare and unemployment. All this increases public debt.

Bonn is making increasingly desperate attempts to find a way round the problem, for instance by possibly revaluing the Bundesbank's gold reserves, thereby printing money, or selling further shares in Deutsche Telekom. Regardless of these measures, over the next decade Germany will find it most difficult to meet the key Maastricht requirement of sustainable fiscal stability.

There are two possible outcomes to the dilemma. Neither would help the euro. If governments step even harder on the fiscal brakes to achieve the budgetary criteria in 1997, that will cause pain in many countries, confirming fears that Maastricht's main effects are highly deflationary.

Yet if governments try to bend the criteria through manipulating statistics, that will endanger the stability of the new currency. It would almost certainly trigger a lawsuit at the German constitutional court. I have already made clear that I would launch such a legal process if I believed that the single currency was to be introduced on an unstable or unsustainable basis.

Politicians throughout Europe may derive help from the elections in France and in Britain. In France, the tensions brought to the surface during the campaign, and the eventual outcome of the election, may prove helpful in steering the right choice for the euro.

In Britain, the new government's decisions to grant the right degree of independence to the Bank of England may prove constructive in re-establishing much-needed British influence on European affairs. UK-style operational central banking independence leaves overall anti-inflation policy in the hands of the government. This is clearly superior to the Maastricht model for a European central bank.

Britain, Germany and France might this year have a joint interest in postponing Emu. That would provide breathing space for Europe to improve its underlying economic performance and restart the journey towards a single currency. Emu is supposed to last for decades, if not for centuries. Spending a few more years to ensure it proceeds on a sound basis would be an eminently sensible use of governments' time.

The author, a professor at Hamburg University, was president of the Hamburg Land central bank and a member of the Bundesbank council between 1982 and 1992.

COMMENT & ANALYSIS

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Back to the Congo

Never has Africa experienced such an extraordinary revolution as the one that has enabled Mr Laurent Kabila, who seven months ago was an obscure Marxist, yesterday to proclaim himself president of the Democratic Republic of Congo.

His victory not only ended the long and disastrous reign of President Mobutu Sese Seko over the country he called Zaire. It also marks the final phase of the Cold War's malign legacy in Africa, and brings home the dramatic decline of French influence there.

But most significantly, it is the result of an African solution to an African problem.

The intervention which mattered in the end was that of Uganda, Rwanda and Angola, which provided logistic support and arms to Mr Kabila's forces. That of Paris and even Washington was clumsy and ineffective by comparison. Almost to the last, those capitals seemed tied to past loyalties, as they sought ways of allowing Mr Mobutu to play a part in his own deposition, thus encouraging him to hold out.

Mr Kabila would have none of this, and the relatively peaceful surrender of Kinshasa goes some way towards vindicating his strategy. But now comes the hard part.

To rebuild a country rich in resources but devastated by corruption, Mr Kabila needs help from abroad. And to obtain help on anything like the scale Zaire needs, he must begin by establishing sound relations with countries he has no reason to thank, and whose feathers he has ruffled.

It would be a good start if he were to answer charges of brutality committed by his forces against refugees in the east of the country. To do this he must give the UN better access to the refugees, and co-operate with the international inquiry into their treatment. So far he has accepted this in principle, but has done little to put it into practice.

At the same time, he should move rapidly to establish a broad-based transitional administration. He could well include Mr Etienne Tshisekedi, a leading opposition figure in Kinshasa who survived the Mobutu era.

Mr Kabila will also be expected to set a timetable for elections, but on this he is understandably cautious. As other countries in Africa have discovered, multi-party elections are in themselves no panacea.

The institutions that buttress democracy – an independent press, judiciary and civil service – must be rebuilt and strengthened. So must the infrastructure of a country in which most of the road network and communications have broken down. All this requires more than a few months. Western help is needed to rebuild those institutions, as well as assist in the rehabilitation of a devastated economy.

In return, donors are entitled to expect a commitment by Mr Kabila to a timetable which will lead to multi-party elections, while in the meantime promising to respect basic human rights. But the price of such aid should not be an insistence on an unrealistic and overhasty deadline for elections which, far from assisting the Congo to return to democracy, could distract the new administration from the formidable task at hand.

Reforming India

Fresh from his triumph over the budget, Mr P. Chidambaram, the Indian finance minister, has laid down a challenge to the complex coalition of 13 parties now ruling India. He and his small party have, he declares, rejoined the government only for the sake of the reforms. It is now up to his partners to demonstrate he was right to do so.

Action is urgent. The underlying growth rate in the economy may have been raised to a sustainable 6 per cent a year, but it would take some 20 years for real income per head to match China's of today. India's literacy rate is still only 51 per cent, with female literacy half the male rate. Half the population is living below a modest poverty line.

Complacency and inactivity are both unacceptable. Strategically, India's governments at both central and state levels must stop obstructing fast, labour-absorbing, outward-looking industrialisation, and then use the fruits of that growth to provide, at the least, universal primary education and basic health services.

Against these objectives, Mr Chidambaram's plans for further reform must be judged a bare and cautious minimum. India needs mass privatisation of public enterprises. Instead, there is to be slow disinvestment of minority shares in the strategic enterprises. India requires drastically improved cost recovery on the provision of goods like electricity, to cut a subsidy bill of some 10 per cent of GDP. Instead, a valuable report on this subject is merely to be considered by state chief ministers in a few months.

India must have dramatic improvement in basic infrastructure, particularly power, roads, railways and ports. At this stage, however, the finance minister can only promise discussion of an admittedly excellent recent report. India needs a recasting of the financial relationship between centre and state governments and more responsible and responsive government at the latter level. Yet here reform has only just begun. Moreover, even this list omits the case for further rapid liberalisation of the trade regime, financial sector reform and a host of other significant policy changes.

The finance minister is to be congratulated on his vision of where policies under his influence should go. Politically, it may even be judged ambitious. Against India's requirements, however, it must be judged modesty incarnate. The chances of faster growth and social progress can be assessed by how enthusiastically and imaginatively his colleagues now respond.

Chirac's pay-off

President Jacques Chirac of France left China yesterday with a fistful of export orders and a joint communiqué extolling partnership between the two countries. Mr Chirac will doubtless play up these achievements during the remainder of France's parliamentary election campaign. But his visit has neither burnished France's international reputation, nor helped promote China's integration into the world community.

All the evidence suggests the export contracts were a pay-off for France's role in scuppering a Danish-backed United Nations resolution last month, condemning China's human rights record. For all France's protestation then that engaging Beijing in a "critical dialogue" would yield more positive results, it is hard to believe its stance was not motivated by the prospect of commercial rewards.

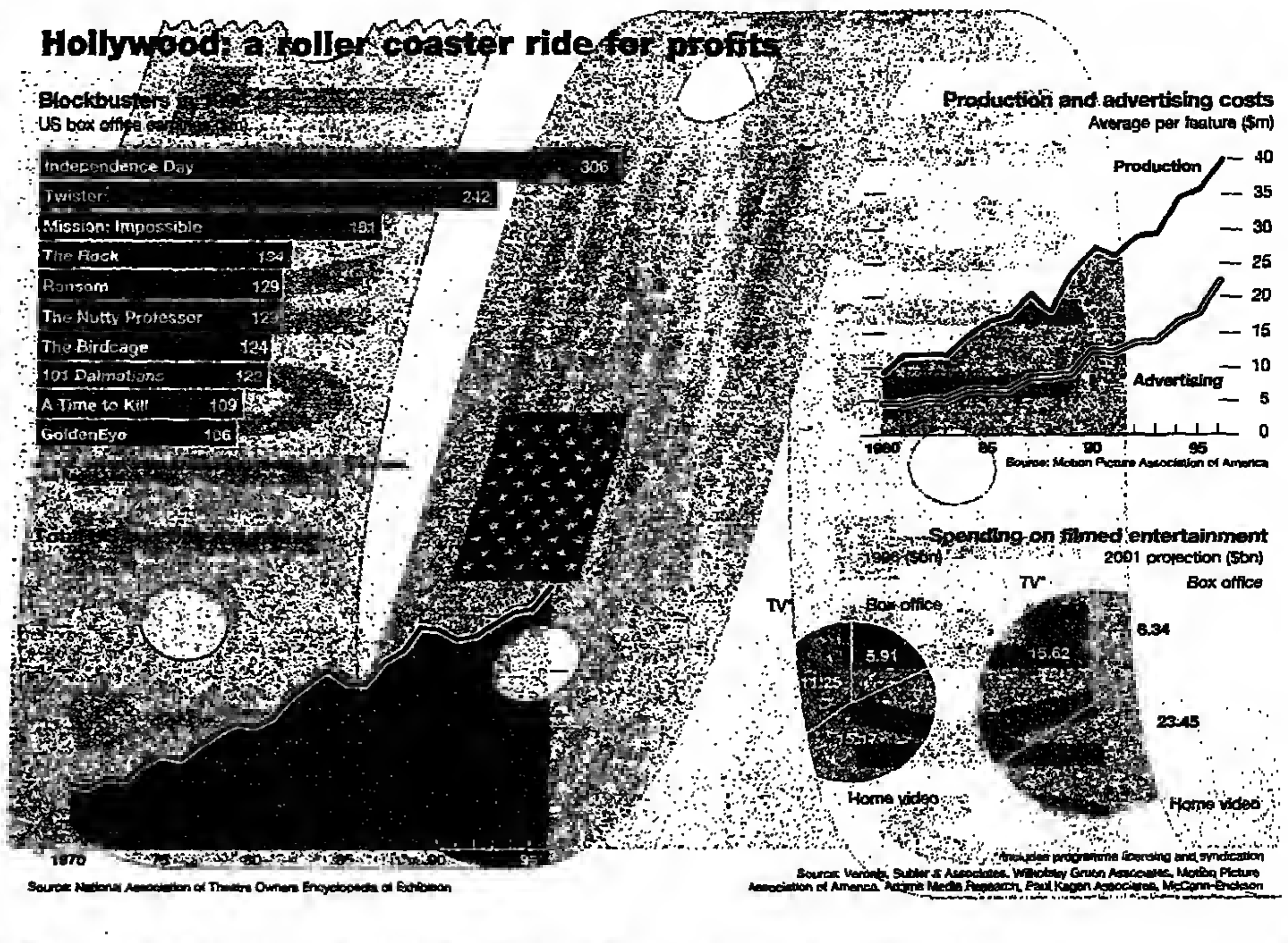
True, China threw France a fig-leaf last week by promising to sign two UN human rights conventions. But it has made such pledges before. Furthermore, China's behaviour suggests international censure is one of the most effective ways of exerting pressure on it to change its ways. Why else did Beijing work so hard to block the UN resolution - and exult so publicly over its defeat?

France's longer-term value to China as a diplomatic ally is more doubtful. Without the backing of the rest of the European Union, whose cohesion it shattered last month, France's ability to shape international events is limited. In any case, there must be questions about the reliability of a country which appears so ready to trade European solidarity for promises of cash.

Beijing's biggest satisfaction probably lies less in having found a new friend than in having divided the west - an achievement reinforced by France's signing of a joint statement implicitly critical of the US. Western countries face a dilemma in dealing with Beijing. A fine balance has to be struck between taking a firm line over issues such as human rights, while encouraging China to increase its political and economic ties with the rest of the world. But this can only achieve results if the west acts in a coordinated and consistent manner.

Battle for the big screen

Hollywood is plagued by overproduction, but the studios are making efforts to rewrite the script, **Christopher Parkes** writes



The Lost World, Universal Studios' sequel to *Jurassic Park*, opens in the US next weekend for a run in which it should sell $200m-worth (£123.4m) of tickets "without breaking into a sweat", according to a rival studio executive.

After that there will be perspiration aplenty as almost 50 features, including a dozen big-budget films bidding for "blockbuster" status – which comes with ticket sales of more than $100m – are released in the three-month summer season.

Hollywood hopes that some films will emulate *Independence Day*, last year's smash and a $70m production which has grossed almost $800m globally. *The Lost World* has already been "buzzed" by the cognoscenti as film of the year. Meanwhile, the profitability of others, including Paramount's $200m *Titanic* – still unfinished – is less certain.

So far, so familiar. Overproduction is the problem, and over-blown egos, ambitions and budgets only make it worse. Hollywood is still bone to "the herd mentality taken to its extreme", says Mr Larry Gerbrandt of Paul Kagan Associates, a specialist research group. "If a category works, then next year you see five times as many similar films at double the budgets."

When one studio decides to drop out of the stampede, there is always another ready to step up the pace. While Walt Disney is pruning its annual production roster by half, Universal has announced plans to crank up output.

Yet others see new strategic and structural forces at work transforming the industry. Recent evidence from the marketplace suggests the benefits are already apparent. US box office receipts so far this year are running more than 20 per cent ahead of 1996. Ticket sales this year reached $2.1bn last weekend – at the close of a traditionally quiet period when winter weather keeps people indoors. Last year's US box office revenus record of $5.9bn is in danger.

Change has come with the blending of studios into integrated entertainment groups, which, according to Mr Michael Wolf, lead partner at the Booz, Allen & Hamilton management consultancy, should be considered primarily as distribution and marketing machines. "Production is not a high-margin business," he says. "Owning an integrated corporation is, and will become, even more so."

Mr Jim Rosenfield, managing director at Veronis, Suhler, a specialist New York investment bank, detects a firmer management hand following the recent wave of mergers. "All the hype, hoopla and bravado of the industry still creates problems. But the fact is that the running of the studios has been pretty much professionalised," he says. The fact that they must routinely toss the dice in hair-raising "crapshoots" involving films with production and marketing costs of $120m or more is an extra incentive for tight control, he says.

Mr Rosenfield, former president of the CBS television network, sees "very positive signals" in the increasing confidence of the financial community in the film industry's prospects. Citicorp, for example, is assembling a film financing package for Universal Studios, continuing a trend which started last year.

The estimated $1.1bn revolving facility, the biggest yet undertaken by US banks for the film industry, will be funded by commercial paper and topped up by film earnings. It will allow Universal, which invests about $750m of its resources yearly in production budgets, to divert more cash into higher-margin music, television programmes and theme parks.

Change is also under way in the marketplace, where domestic attendances increased 6 per cent last year to more than 1.3bn – the biggest rise in decades, according to Veronis, Suhler. Cinema owners are building screens as quickly as they can find suitable sites.

The pace has increased since last year when the number of US screens grew almost 7 per cent to 29,700. AMC, which led the charge with 314 additions in 1996, will add 700 this year, raising its screening capacity 30 per cent. Canada's Cinéplex Odéon aims to raise its north American total 20 per cent with 400 openings by the end of next year.

Most of the new capacity is in multiplex theatres, with up to 25 screens apiece, which are being built to give consumers as wide a choice as possible. The average US cinema now has five screens compared with 2.5 in the UK and between one and two in the rest of the world.

Viewing capacity is also rising overseas, with the screen total in Asia, Europe and Latin America up 2,000 last year to 68,000, while estimated box office revenues in these regions have climbed 28 per cent in the past five years to reach $10bn, says Booz, Allen.

The cinema revival has enlarged the shop window for videos, theme parks, merchandise and sales to TV on which Hollywood film makers increasingly depend for profit. It has done nothing, though, to lessen competition among the industry leaders for display space.

Jockeying between the big six – Walt Disney, Time Warner, Universal, Sony, 20th Century Fox and Paramount – now resembles the detergent wars of the 1980s, when global groups fought for room on the world's supermarket shelves. All the elements of heavy research and development, packaging, promotion and distribution are there in force: all except the instantly recognisable products or brand franchises.

Disney, synonymous with successful animated features and formulaic family fare, is the exception in this fight for space. It has little difficulty finding screens to display its products at the height of the summer and Christmas seasons. The promotional weight the company throws behind its films normally ensures would-be competitors steer well clear.

One result is that the group has this market segment – and the resulting home video and consumer product business – pretty much to itself. Another is that the competition is paying close attention. Universal, for example, has cornered the rich market in dinosaur films and spin-offs on the strength of *Jurassic Park*. The company, which is re-releasing *The Land Before Time* and stepping up theme park promotion to extract maximum benefit from the success of *The Lost World*, effectively "owns the dinosaur category", says Mr Wolf of Booz, Allen.

Likewise, Warner Bros is exploiting its *Batman* franchise with a fourth surefire blockbuster this summer. It is also reviving *Superman*, with an eye on exclusive control of the comic strip hero franchise. According to Mr Dan Romanelli, president of Warner's consumer products division, Bat-brand merchandise is worth $1bn a year at retail prices even when there is no film to drive sales.

"Most consumer goods makers have brands that live year in, year out," Mr Wolf says. "But film companies have traditionally started each year building each new offering from nothing."

The cost is enormous. US film companies last year spent $1.68bn – equivalent to some 30 per cent of total box office revenues – on marketing films. This helped drive margins, some analysts suggest, to their lowest levels since the 1970s. But according to Veronis, Suhler, it also fuelled a 17 per cent rise in high-margin home video sales. Even tape rentals, which fell in 1995, rose 4.5 per cent. Aggregate US spending on cassettes for home viewing surged 10 per cent to $15bn.

Rolling together box office, video and television sales, the bank estimates that total consumer outlay in the domestic film market will rise 40 per cent to exceed $45bn in 2001.

In the interim, the cyclical forces remain to be dealt with and strategies have to be consolidated. According to one studio executive, the over-production of big-budget "event" films is already tailing off. He counts about six in preparation for release next summer. Overall output is still uncertain, but little variation is expected from the 15-year average of 470 films a year.

Indeed, last year's total of 471, rather than marking a damaging surge against the previous year, was more a reversion to the long-term trend after a three-year decline when numbers released fell from 480 in 1992 to 411 in 1995. Yet industry specialists maintain that excessive output is still the industry's worst problem. Mr Wolf says the number of films is the principle driver of most of the other pressures on the studios' financial performance.

"There is too much product and not enough shelf space in spite of theatre [cinema] owners' expansion," he says. "This drives marketing costs because studios have to spend more on building awareness in a market where all the companies are competing for the same release windows." It also increases the price of scarce reserves of talented actors, writers and directors.

The average cost of making, printing and promoting a film in the US has risen about 28 per cent in real terms since the beginning of the 1990s. Studios have responded by trying to break free from the seasonal squeeze which regularly creates scheduling chaos during the summer break of mass entertainment "popcorn movies" and in the space between November's Thanksgiving and New Year.

Early rewards are apparent in the revenue rise so far this year, and the blockbuster status achieved or fast approaching for four "out-of-season" releases: *Liar, Liar*, a Jim Carrey comedy, *Michael*, with John Travolta, *Jerry Maguire* starring Tom Cruise, and Miramax's *Scream*.

Among early season special-effects pictures, *Volcano*, featuring Los Angeles frying in lava, and *Anaconda* also show signs of making the grade. But their chances of breaching the magic $100m barrier will depend on their ability to avoid being plucked off their perches by *The Lost World's* monsters.

Even if they manage that, they will still have to reckon with the hordes of aliens, superheroes and runaway speedboats coming soon to a cinema near you.

· OBSERVER ·

Going out on a limo

■ Japanese banks may have been notching up their first post-war losses, but senior managers aren't suffering too much. One of the banks' responses to continuing huge bad debts and sluggish lending has been, believe it or not, to buy more luxury transport – the staff limousine fleet in Japan's top 20 banks went up nearly 14 per cent last year.

The analysis comes from Jesper Koll of J.P. Morgan in Tokyo who reassuringly defines a banking crisis as the time "when the managing director takes the subway".

But does this mean that Japan's bank managers are about to deliver a sudden rebound in profits? Apparently, not necessarily so. A recent downgrade in profit forecasts means that the banks are likely to record a second year of loss for 1996 when they report this month. Maybe someone should draw up a limo index to measure their health.

Happy union

■ All is not sweetness and light in the 75-year-old Belgium-Luxembourg economic union. Anyone who has ever tried to get a seat on a Brussels-Luxembourg train knows that many Belgians keep accounts in the Grand Duchy to escape the taxman. Belgian irritation has been turned to outrage by a leaked report by Hendrik van Dijk, number two at Belgium's embassy in Luxembourg, alleging that admired world figures such as Saddam Hussein, Colonel Gadaffi and newly-ousted President Mobutu are using accounts in the Grand Duchy for stashing away money.

Luxembourg ministers are muttering darkly about jealous neighbouring countries knocking the Grand Duchy's reputation, while a banking official dismisses the report as "recycled cocktail party gossip". Such are relations between two countries which share a currency, what chance a European monetary union of half a dozen or more members?

Euro con

■ EU states may be in varying states of uncertainty over the single currency, but the Continent's crooks are moving ahead. Portugal's National Guard warns that con artists are visiting elderly people claiming to be social workers or other helpful officials. They offer to take away soon-to-be redundant escudos and bring back new-minted euros. At least they are in tune with the government's belief that Portugal will make it in 1999.

Close to the mark

■ Anyone in Sofia seeking out Ivan Kostov last week to congratulate him on being named as Bulgaria's next prime minister was out of luck. Before the ink dried on the proclamation, he had packed his guidebooks to Germany's vegetarian eateries and jogging tracks and was off to Frankfurt at the invitation of Deutsche Bank, co-ordinator of Bulgaria's commercial foreign debtors.

Watchers of Bulgaria's turbulent political scene are unconvinced by the official line that the summons to the new PM was simply a helping hand in chatting up foreign investors. They think the Germans are staking an early claim to rope the penniless Balkan state into their sphere of influence.

Bulgaria is soon to peg the lev either to the US dollar or to the Deutschmark, and one of Kostov's few bargaining counters is reckoned to be to offer his fragile economy to whichever sphere of influence will treat it most kindly. He is thought to lean towards the US – certainly, Clinton administration officials were assiduous in keeping in touch with him while his conservative Union of Democratic forces was in opposition.

Kostov looks set to keep his cards close to his chest until he tells the UDF-dominated parliament whom to pick as the country's economic Big Brother. When the interim cabinet called last week for the lev to be fixed to the DM, Kostov testily told his ministerial colleagues to mind their own business.

Dutch treat

■ ABN Amro, the Dutch banking group, is making sure that its listing on the New York Stock Exchange on Wednesday will not go unnoticed. The bank has shipped over 25,000 tulips, which had been kept in cold storage in the Netherlands, to mark the occasion. Passers-by in the Wall Street district and NYSE staff will be handed tulips by 30 ABN Amro employees. Customers of ABN Amro's US banking operations - EAB in New York, LaSalle Bank in Chicago and Stand Federal in Washington DC - will also be able to save on florists' bills.

All of which must be giving executives at arch-rival ING Group a bit of a headache. How are they going to top that when they list their shares in New York next month? Free Edam, perhaps. Windmills on Wall Street? We'll see.

The Financial Times

100 years ago

Illegal Cigarette Trust
Chicago, 18th May. It has been decided by the Circuit Court here that the American Tobacco Company's effort to control the cigarette trade of the United States is an illegal combination, and the company is accordingly prohibited doing business in the State of Illinois. The judgment says: "No legal sophistry is able to obscure the fact that when 95 per cent of all the corporations and firms individually engaged in making and selling a certain article unite under one management, the result will necessarily be a monopoly." The company will appeal against the decision.

50 years ago

Strikes in France
Paris, 18th May. Work was resumed to-day at the Renault motor-car factories and at the flour mills, but the wages dispute in the engineering industry and other trades has not yet been settled, and negotiations are still proceeding through the Ministry of Labour. Concessions granted to flour mill workers, who have obtained a wage increase of Frs. 10 in the Paris area, practically amount to a withdrawal by the Government of its wages freeze policy.

FINANCIAL TIMES
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Japan will drop opposition to Moscow

G7 set to give Russia fuller role at summit

By Gillian Tett in Tokyo and Chrystia Freeland in Moscow

Japan is to drop its opposition to Russia joining the Group of Seven rich countries, paving the way for Russia to play a fuller part in the G7 summit in Denver next month, according to Japanese officials.

President Bill Clinton had offered at the Helsinki summit in March to help Russia join the G7 but Tokyo reacted coolly to the proposal because of a dispute with Russia over possession of several islands north of Japan.

Now a senior Japanese diplomat has said privately in Tokyo that Japan will abandon its position as the only country to oppose Russia's formal inclusion in the G7 meeting.

"It would not be a wise policy for Japan alone to voice caution," he said. Yesterday the Japanese government was refusing to comment on any change in its stance.

The summit in Denver, Colorado, will be known as the Summit of the Eight, with the main communiqué being issued on political and a limited range of economic issues by all eight countries.

Howaver, tha original G7 states – the US, Japan, France, Germany, Britain, Italy and Canada – will meet in the margins of tha summit to discuss some western economic problems and will issue a separate statement.

"There is a shift of emphasis," said one western diplomat. "Russia will now arrive and leave with everyone else, and will be included in the main announcements, but some business will still be conducted by the seven."

The US and other G7 countries have become increasingly eager to give Russia the symbolic honour of participation in G7 meetings, to soften the diplomatic impact of the recent accord over Nato expansion.

Japan is seeking to rebuild its relationship with its Russian neighbour. Mr Yukihiko Ikeda, the Japanese foreign minister, plans to visit Moscow this week.

Japan's relationship with Russia had been strained by a long-standing territorial dispute over the Kurile Islands to the north of Japan. Although resolution of the problem remains unlikely in the near future, both sides appear to be moving towards a policy of playing the issne down to focus on building better diplomatic and economic ties.

In a further sign of this improving relationship, Mr Igor Rodionov, the Russian minister of defence, visited Japan over the weekend – the first such visit by a Russian defence chief.

The shift comes at a delicate time in Russia's relations with the west. Last week Russia grudgingly accepted Nato's planned expansion into eastern Europe by agreeing its own deal with the western military alliance.

The Kremlin sees Nato enlargement as a sign of Russia's declining international status. To soften the blow, western leaders have promised to include Russia more fully in international political structures.

JCI and Lonrho in talks on $3.2bn mining merger

By Mark Ashurst in Johannesburg and David Blackwell in London

JCI, South Africa's first black-controlled mining house, is in merger talks with Lonrho, tha London-listed conglomerate, to create a £2bn ($3.25bn) mining group spanning gold, coal and platinum.

The merger could enable Anglo American, Lonrho's largest shareholder, to acquire Lonrho's coveted 33 per cent stake in Ashanti Goldfields of Ghana, the most profitable gold producer in Africa.

Mr Mzi Khumalo, JCI chairman, flew to London last night to continue negotiations that could double JCI's current coal mining interests and add platinum to its portfolio of gold and precious metals. The South African group will issue a cautionary notice to advise shareholders of the talks this week.

Lonrho, while admitting yesterday that talks were in progress, described them as "entirely exploratory" and added that other approaches had been made to the group recently.

Mr Tiny Rowland, who founded the group 34 years ago and is still the largest private investor, said any deal "will take ages".

But Mr Ken Costa, vice-chairman of SBC Warburg, adviser to both JCI and Anglo, said: "The commercial logic of the transaction is compelling and discussions to establish merger terms that are fair to both sides will need to happen rapidly in order to avoid unnecessary speculation in the financial markets."

A merger would be supported by Anglo, which sold its controlling stake of 34.9 per cent of JCI to the African Mining Group, a consortium of black investors in November, to promote black economic empowerment.

Anglo has also been ordered by the European Commission to cut its Lonrho holding from 27 to 9.99 per cent. Brussels ruled that a larger stake would create excessive concentration in the global platinum industry.

Anglo would not comment on the talks, but confirmed its interest in Ashanti, which is set to increase annual gold production to 2m ounces by 2000. Anglo hopes to cancel its shares in Lonrho in exchange for Lonrho's Ashanti stake, which has a market value of about $400m, and a cash payment to Lonrho.

A deal could also revive tha fortunes of JCI and appease local and international institutions which have funded the R2.4bn ($536m) asset transfer in spite of a sharp slump in the Johannesburg gold index. Mr Khumalo, a former political datainee on Robben Island with Nelson Mandela, has struggled to finance the acquisition.

Lex, Page 16
Quiet man behind JCI, Page 18

US set to announce big defence cuts

Continued from Page 1

of the most bitterly contested issues in the pork-barrel politics of Capitol Hill.

The army and marines have been resisting personnel cuts on the grounds that the wars of the future are most likely to be fought in densely populated cities, where well-trained soldiers, as well as precision weapons, will be needed.

Mr Cohen said sonth-west Asia and north-east Asia – an oblique reference to Iran and Iraq, and North Korea – were the main problems that the US military had faced in the short term.

He said that an increasing challenge would be posed by terrorism, which he described as the "scourge of mankind", and by "the use of biological and chemicals weapons by nations who mean us ill".

Finance regulator to call for reform of UK system

By Andrew Gowers in London

The chief regulator for the UK's financial markets will this week call for wholesale reform of the City of London's regulatory system. His proposals are intended to improve efficiency of markets and ensure that company directors who canse losses to investors through negligence are held to account.

Sir Andrew Large, who steps down in July after five years as chairman of the Securities and Investments Board, the chief UK financial regulatory body, believes the current system "lacks efficiency and credibility", and is characterised by "inconsistency, operational expense and duplication, and delays".

Britain operates two levels of regulation, with self-regulation of particular market sectors by practitioners in junior organisations being co-ordinated by the more powerful SIB.

In a speech in London tomorrow night he will attack the boards of financial services companies responsible for mis-selling personal pensions to hundreds of thousands of British investors in the 1980s and 1990s.

"Boards of directors and senior management conld have appreciated more clearly that it was their duty to ensure that they had controls in place preventing their salesmen from indulging in poor selling practices," he will say.

Sir Andrew's central proposal is for a merger of the SIB and the separate City self-regulatory organisations governing securities businesses, personal investments and fund managers. The new Labour government is in principle committed to this idea.

Sir Andrew's public support for the plan and his call for the SIB to be given powers make it more likely that reforms will be made during the current parliament.

Sir Andrew calls for changes in the law governing market abuses, including insider dealing, and in the SIB's powers to oversee markets such as the London Stock Exchange.

Insider dealing is a criminal offence and prosecutors have found it near-impossible to gather avidence to secure convictions.

His sharpest words are for the companies involved in the £4bn ($6.5bn) pensions scandal, in which thousands of investors are awaiting compensation in spite of more than three years of efforts by the SIB and other regulators to secure redress.

Sir Andrew biames the industry for its sluggish response.

THE LEX COLUMN

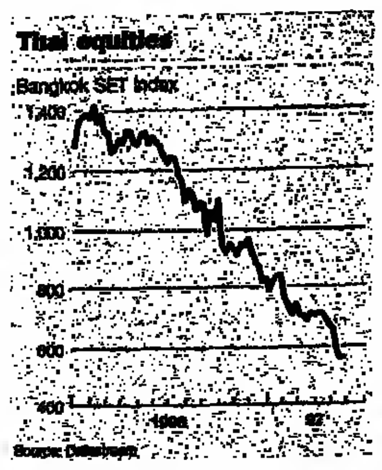
Battered Bangkok

The Thai government scored a hollow victory in its defence of the baht last week. But the battle will continue and the stock market looks set to be an ongoing casualty, despite already falling 57 per cent in the past year.

The problem is that the baht is artificially strong, enpported by punishingly high interest rates. This is squeezing the economy, making consumers more spendthrift and exports less competitive. But government is committed to the status quo, because if the baht is devalued, companies with dollar loans funding Thai assets could go down with it.

This is a time for strong measures from government and regulators, but the rapid turnover at the head of most Thai institutions does not inspire confidence. Of course, the authorities could be stalling on devaluation to give time for dollar borrowers to hedge their exposure. And in the bloody aftermath of a devaluation, there should be considerable value within the stock market, from exporters to companies with hedged dollar liabilities.

But if the government, supported by a merry band of south-east Asian central banks, continues to stand by its baht, there is littla to spark a recovery in equities. Corporate earnings will probably decline this year. And an absence of transactions means property prices have yet to collapse. So long as high interest rates stifle asset inflation, future property losses and balance sheet write-downs look inevitable.



Lonrho/JCI

The mooted merger between Lonrho of the UK and JCI, the black-controlled South African mining house, looks an appealing prospect. The combined group, worth around £2bn ($3.2bn), would be one of the world's biggest mining houses, spanning gold, platinum and coal. Following the sale or demerger of its remaining hotel and trading interests – which would still go ahead – Lonrho will be sitting on a sizeable cash pile that could be used for acquisitions. And with Mr Mzi Khumalo, JCI's chairman and a fellow political prisoner of President Nelson Mandela, to open doors across Africa, there should be no shortage of opportunities.

But as ever with Lonrho, it would be rash to assume this is a done deal. The first sticking point is price. While both are valued at around £1bn on the stock market, Lonrho is trading at a much steeper discount to its underlying assets than JCI.

A more serious obstacle might be the role of Anglo American, which is intent on swapping its 27 per cent stake in Lonrho (plus some cash) for Lonrho's 33 per cent in Ashanti Goldfields, as part of the merger. While Anglo dearly wants to get rid of its Lonrho holding now that the European Commiesion has restricted its voting powers, Lonrho is in no hurry to sell out of Ashanti. Nor does the UK group need a deal as much as Mr Khumalo and his fellow investors, who are committed to buying their shares in JCI at a premium of more than 20 per cent to JCI's current market price.

JCI's interest shows there is value in Lonrho. But Lonrho's shareholders know, to their chagrin, how difficult it has so far proved to unlock.

Airline alliances

Make no mistake: the world airline industry is reshaping fast. Last week's grandiose launch of the "Star" grouping – based on the existing Lufthansa/United Airlines alliance but incorporating three others with perhaps more to come – may have had a touch of hype. But it is a powerful reminder of the evolving order, in which two groups now have a decisive edge. Star is one. And assuming British Airways and American Airlines get their marriage plans through the regulators – highly likely – their grouping is the other.

Why do thesa alliances matter so much? The answer lies in the painful nature of airline economics. Fixed costs are high; so are potential economies of scale. But absurd restrictions still divide the industry up into national carriers. Hence the appeal of alliances. These may have started out as timid attempts to link networks together, but in theory at least they have the potential to become full operational joint ventures, offering month-watering potential for pooling overheads and rationalising capacity.

Of course, much depends on whether these many-legged contraptions can be held together as integration deepens operationally. In an industry well known for its ego-count, this cannot be taken for granted. But the mere potential is easily enough to force other alliances – such as Delta Airlines' with Swissair and Singapore Airlines – to sharpen up their act. And those currently on the sidelines must be painfully conscious of the risks of being left on the shelf.

Concert parties

What is the difference between a concert party and a fan club? This is a quiz not on rock 'n'roll but on Britain's takeover rules. It is exercising Thomas Jourdan, a tiny consumer products company and maker of the Corby trouser press, which is likely to see its current management pressed out the door at tomorrow's shareholder meeting. The man applying the pressure is Mr David Abell, former chairman of Suter, who together with various followers owns 39 per cent of Jourdan and intends to vote himself and his allies on to the board.

Since Jourdan's three biggest institutional holders, with another 28 per cent, will probably abstain, Mr Abell is almost certain to gain control without launching a full bid. That is clearly wrong. The catch is that establishing whether investors have been acting in concert to buy ehares is extremely tricky. In this case, the Takeover Panel was merely able to determine a concert party between Mr Abell and investors owning 28 per cent of the shares – not enough to trigger a mandatory bid. Tha rest of Mr Abell's friends, apparently, were simply loyal fans who bought in on hopes that he would revitalise the company. Only after they bought their shares did they agree to act in concert with him.

Perhaps the panel is applying the wrong test. If the trigger for a bid was simply the formation of a concert party of over 30 per cent of investors, irrespective of when they bought their shares, it would prevent such backdoor takeovers and benefit investors generally.

FT WEATHER GUIDE

Europe today

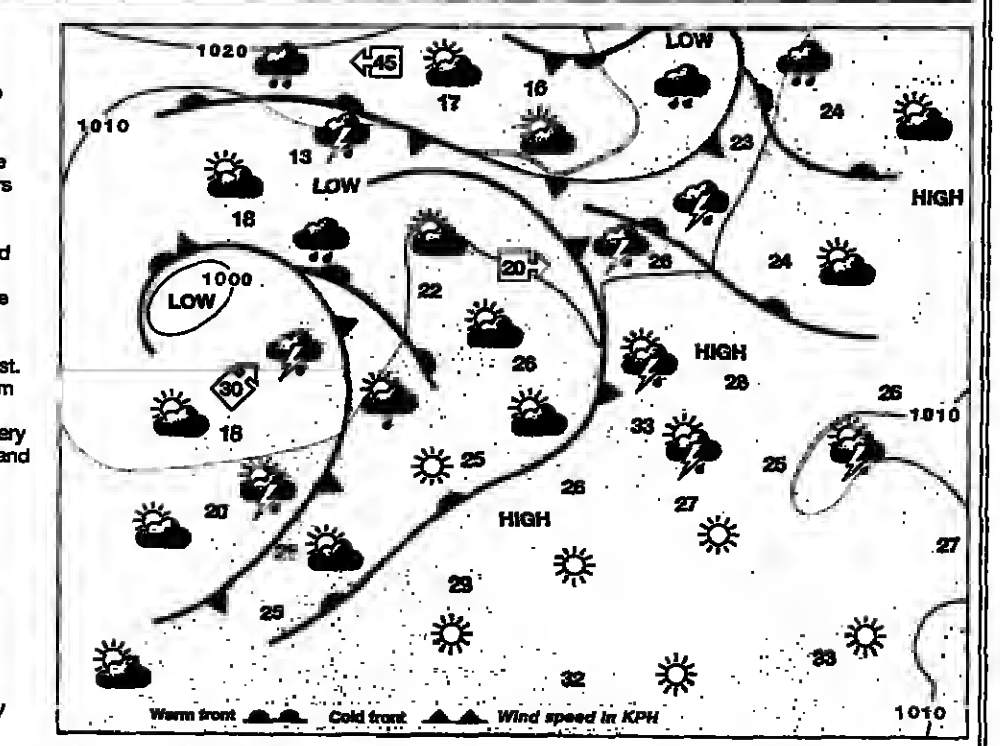
Western Europe will continue to have thunderstorms as several disturbances swirl over Spain, France and the British Isles. The disturbances will trigger showers which will frequently be accompanied by thunder, especially in western France and Scotland.

A cold front over Poland and the Balkans will mark the border between warm air over eastern Europe and cooler air to the west. Frequent thunderstorms will form along the front.

Apart from an occasional thundery shower, Greece, southern Italy and Turkey will be sunny and warm with temperatures above 25C.

Five-day forecast

Warm air will be pushed to the east and temperatures over the entire continent will drop to between 17C and 23C. Low pressure from the Atlantic will move east across Denmark and Poland causing cloud and heavy rain over north-western areas.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES (Maximum Celsius)

Abu Dhabi	sun	37
Accra	thund	32
Algiers	sun	26
Amsterdam	fair	22
Athens	sun	27
Atlanta	fair	31
B. Aires	thund	25
B.ham	cloudy	20
Bangkok	shower	37
Barcelona	fair	21
Beijing	sun	29
Belfast	fair	18
Belgrade	cloudy	29
Berlin	shower	24
Bermuda	fair	26
Bogota	shower	20
Bombay	fair	33
Brussels	shower	24
Budapest	thund	26
C.hagen	thund	17
Cairo	sun	35
Cape Town	rain	19
Caracas	shower	31
Cardiff	rain	18
Casablanca	sun	23
Chicago	fair	19
Cologne	cloudy	24
Dakar	sun	26
Dallas	shower	32
Delhi	sun	38
Dubai	sun	36
Dublin	fair	17
Dubrovnik	fair	26
Edinburgh	thund	14
Faro	cloudy	20
Frankfurt	cloudy	25
Geneva	fair	25
Gibraltar	fair	22
Glasgow	thund	16
Hamburg	shower	21
Helsinki	shower	11
Hong Kong	rain	30
Honolulu	fair	29
Istanbul	fair	25
Jakarta	shower	33
Jersey	shower	23
Karachi	sun	35
Kuwait	sun	40
L. Angeles	sun	24
Las Palmas	fair	25
Lima	fair	19
Lisbon	fair	19
London	cloudy	22
Luxbourg	cloudy	22
Lyon	fair	27
Madeira	fair	21
Madrid	thund	20
Majorca	cloudy	24
Malta	sun	28
Manchester	fair	19
Manila	fair	34
Melbourne	fair	16
Mexico City	shower	26
Miami	shower	32
Milan	fair	23
Montreal	rain	21
Moscow	fair	15
Munich	thund	26
Nairobi	fair	25
Naples	sun	26
Nassau	shower	31
New York	rain	21
Nice	sun	23
Nicosia	sun	27
Oslo	fair	17
Paris	rain	22
Perth	rain	20
Prague	thund	24
Rangoon	thund	33
Reykjavik	cloudy	10
Rio	shower	26
Rome	sun	27
S. Frsco	sun	26
Seoul	shower	20
Singapore	fair	31
Stockholm	fair	15
Strasbourg	cloudy	25
Sydney	shower	18
Tangier	fair	23
Tel Aviv	sun	30
Tokyo	fair	25
Toronto	rain	20
Vancouver	fair	18
Venice	sun	24
Vienna	shower	26
Warsaw	thund	26
Washington	sun	32
Wellington	fair	15
Winnipeg	fair	10
Zurich	cloudy	22

FINANCIAL TIMES
COMPANIES & MARKETS

Monday May 19 1997

Week 21

IN BRIEF

De Benedetti in public offering

CIR, the Italian industrial holding company controlled by Carlo De Benedetti, will launch early next month a L475.1bn ($284m) public offer to acquire control of Sasib, the Bologna-based machinery company. The move is a further step in Mr De Benedetti's strategy to simplify the structure of his holding company and refocus it on its core industrial activities. Page 18

BCI offers to buy stake in Cariplo
Banca Commerciale Italiana, one of Italy's biggest privatised banks, has offered to buy a stake in Cariplo of 25–30 per cent – worth between L2,400bn and L3,000bn ($1.43bn–$1.79bn) – in an attempt to become the strategic partner of the country's biggest savings bank. Page 19

Kyocera suffers sharp fall in profits
Kyocera, the ceramics to cellular phones group, posted a sharp drop in profits on record sales, largely as a result of losses at DDI, its telecommunications affiliate, and the impact of a one-off boost to profits in the previous year. Sales reached a record Y714.8bn ($6.2bn), an increase of 10 per cent from Y647.2bn. Page 18

Hong Kong to review retail allocation
Massive oversubscription rates for share offerings in recent months have prompted Hong Kong regulators to review the system used to allocate shares among retail investors. The Hong Kong Stock Exchange, which is examining a series of share offering mechanisms, expects to come up with a solution next month. Page 19

Nutreco issues almost 5.29m shares
Nutreco, the Dutch animal and fish feeds producer which was bought out from British Petroleum for $425m less than three years ago, expects to command a market value of up to Fl 924m ($485m) in an international share offering which starts tomorrow. It is issuing nearly 5.29m shares, representing some 21.2 per cent of its expanded capital. Page 18

Bidders queue for Chinese car stake
The sale of a large stake in one of China's first carmaking joint ventures has triggered interest from four leading car companies in spite of a downturn in the Chinese car market. Mr Jacques Calvet, chairman of Peugeot-Citroën, which is divesting its stake in Guangzhou Peugeot Automobile, said he expected to announce the name of the bidder "very shortly". Page 19

Singapore Airlines sees modest rise
Singapore Airlines, one of the city-state's top corporations, reported a modest increase in its full-year net profit, but saw a decline in operating revenues as fuel costs rose and the strong Singapore dollar affected demand in some important overseas markets. Page 18

Televisa sells PanAmSat stake
Televisa, Mexico's all-powerful media conglomerate, last week closed one of its most profitable deals ever. The company announced that it had received $650m in cash for part of its stake in PanAmSat, a US based satellite operator. The company had paid only $200m when it bought half of PanAmSat in 1992. Page 18

TDK boosted by weak yen/dollar rate
The yen's weakness against the dollar and growing interest in new recording media helped TDK, the world's largest maker of magnetic tapes, achieve record profits in the year to March on surging sales in overseas markets including Asia and the US. TDK said consolidated recurring profit nearly doubled to Y103bn ($817.46m). Page 18

Balrampur posts 38.8% rise in profits
A big increase in the crushing of cane helped Balrampur Chini Mills, one of India's largest sugar and distillery groups, to a 38.76 per cent increase in pre-tax profits for the year to the end of March, from Rs195.3m ($5.46m) to Rs271m. Net profits rose 20.84 per cent to Rs236m. Page 18

Mitsui Fudosan earnings plunge
Mitsui Fudosan, Japan's largest property developer, saw earnings plunge on losses related to the disposal of non-performing assets and a restructuring. The company said it posted recurring losses of Y66.4bn ($526.98m), compared with the previous year's recurring profit of Y8.4bn. Page 18

Vitro issues $425m in debt
Vitro, the Mexican glass manufacturer, last week issued $425m in debt in a move which the company hopes will help put its finances on a healthy footing. In the past, the company has been troubled both by a high level of debt and by an excessive reliance on highly volatile peso debt. Page 18

Companies in this issue

Market Statistics http://www.FT.com

Juventus development studied

Agnellis could make football club focus of sports entertainment group

By Paul Betts in Milan

The possible development of a show-business sports group centred on Juventus, Italy's most successful football club, is being explored by IFI, the Agnelli family holding company.

Until now, the Agnellis, who control the Fiat motor group, Italy's biggest private enterprise, have dismissed suggestions of floating Juventus on the London stock exchange.

But they are understood to be studying expanding the traditional activities of the Turin club, which this week celebrates its centenary, to create a sports and entertainment company that could eventually seek a stock market listing.

The IFI holding directly owns 59.6 per cent of Juventus after last year absorbing the 44.2 per cent held by Fiat for L23bn ($13.7m), and subscribing to a capital increase of L18.4bn.

Although the Agnellis are sentimental about Juventus (Mr Giovanni Agnelli, the family patriarch and Fiat's honorary chairman, said recently that floating Juventus was a bit like floating one's yacht, "you simply don't do it"), they appear to be showing increasing interest in its commercial and financial possibilities.

Yesterday Juventus drew 1-1 with Parma, currently second in the Italian first division, and now need one point from their last two games to win the league championship for the 24th time.

The club, affectionately known as "the old lady of Turin", is widely regarded as the world's best. In Italy alone it has 10m supporters, from the deputy prime minister, Mr Walter Veltroni, to the average worker. But company officials say it also has a huge following in the Far East, especially in Japan and China, with probably another 10m fans.

This significant following would provide a captive market for commercial and entertainment products under the Juventus brand, creating, financial analysts suggest, a sporting version of such successful "Made in Italy" labels such as Gucci or Armani.

Since Mr Umberto Agnelli, IFI's chief executive and younger brother of Giovanni, took responsibility for the club four years ago, Juventus has undergone a strong recovery. The club, which had been losing L50bn to L60bn a year, is operating in the black and has rediscovered its winning ways.

Unlike their UK rivals, Italy's clubs have failed so far to develop extensive merchandising and other commercial operations, or to expand into other sporting activities and the property business. Part of the reason has been that ownership of most stadiums is in the hands of local authorities.

Juventus has had a long-running dispute with the Turin authorities over the city's stadium and has been considering building its own. Big Italian clubs are also anxious to secure a greater share of television rights, especially with the advent of pay TV in Italy.

Several first division clubs, such as InterMilan, AC Milan, Bologna, Lazio of Rome and Fiorentina of Florence, have expressed interest in London market flotations, but Juventus has long been regarded as the most attractive prospect.

Italian football club Juventus teeters on the brink of its 24th league title after yesterday's draw with AC Parma and looks like moving closer to a flotation on the London stock exchange Picture: AP

Oracle set to acquire controlling stake in Navio

By Louise Kehoe in San Francisco

Oracle, the world's second-largest software company, is expected to announce today an agreement to acquire a controlling interest in Navio Communications, a developer of software that enables television viewers and home video game players to surf the Internet.

Navio was set up last summer by Netscape Communications, the pioneer of Internet software for personal computers, to develop similar software for use on consumer devices. The move was backed by Oracle, IBM of the US and Sega, Sony, NEC and Nintendo of Japan.

Sun Microsystems, the US manufacturer of computers for use on networks, has announced an alliance with Navio.

Oracle's move to take control of Navio reflects its desire to establish a new category of Internet terminals, called network computers, that would be less expensive than personal computers.

Mr Larry Ellison, Oracle chairman, has been promoting the use of NCs for nearly two years. He initially touted the NC as a consumer product, but switched his focus to business applications. He is returning to his original vision of the NC as a device that might bring interactive media services to millions of homes.

Navio software, based on the Internet standards adopted by Netscape, is expected to run on television set-top boxes, specially designed telephones, video game machines and devices such as pagers and low-cost communications terminals.

The acquisition could win Oracle support from consumer electronics manufacturers for its pet NC project.

Oracle's move to acquire a controlling interest in Navio demonstrates the rivalry between Mr Ellison and Mr Bill Gates, chairman and chief executive of Microsoft, the software industry leader.

In March, Microsoft paid $425m to acquire WebTV Networks which sells television set-top boxes that enable users to access the Internet, browse Web pages and send or receive electronic mail.

Fidelity to push payroll services

By John Authers in New York

Fidelity Investments, the Boston-based fund manager, is to develop its payroll and benefits management services for big companies as part of a strategy overhaul after last year's poor performance.

But Fidelity's traditional "stock-picking" investment style, employing a huge research staff and giving individual portfolio managers sweeping autonomy over investment choices, will remain intact – in spite of speculation that it would move to the "team management" used by some of its largest US competitors.

Mr James Curvey, appointed last month to the newly created post of chief operating officer as part of a sweeping management reshuffle, said the company needed to "leverage its brand", and the relationships it has built managing pension funds for US companies.

Fidelity manages $119.9bn in '401k' assets, compared with $35bn at the beginning of 1993. It has invested heavily in "back office" systems and administration. Mr Curvey said: "We are now looking at taking that expertise, not only from money management but from record-keeping, and looking at opportunities around the globe."

Mr Curvey said Fidelity was already able to manage benefits, fielding queries about topics like health insurance, for companies such as Shell Oil. This is going to be followed by a payroll programme, which is still under development.

The plan follows last month's management reorganisation, which was greeted by some analysts as a radical change of direction by Mr Ned Johnson, Fidelity's president.

However, Mr Curvey, whose remit is to ensure that Fidelity has a strategic direction, made clear the changes were primarily a reaction to Fidelity's growth of the last few years. "It's an evolutionary move," he said.

Fidelity's poor performance compared with funds which merely attempt to match the rise in the benchmark S&P500 index has been highlighted. Alpha Equity Research, an analysis company, estimates that the company's funds would have increased growth by $18bn this year if they were simply invested in the index.

Colonial sets A$3.1 institutions share price

By Nikki Tait in Sydney

Colonial, the newly demutualised Australian financial services group, yesterday set the price to be paid by institutional investors for its shares at A$3.10 (US$2.40) after last week's offer for sale closed with significant oversubscriptions.

Trading in the shares will start this morning. Mr Peter Smedley, managing director, said he expected the stock to go to a premium over the institutional price.

If he is right, retail investors, who were invited to subscribe for shares in the company at a fixed price of A$2.60 earlier this month, will show a handsome instant paper profit.

Strong demand from investors meant the retail offer was also heavily oversubscribed. Colonial announced yesterday that any members of the public applying for stock would get just 350 shares (and options).

Applications from existing private shareholders – policyholders who were given shares when Colonial was demutualised – for additional stock in the offer for sale, will be met in full up to 550 shares (and options). Anyone applying for more, will be scaled back to 550.

At A$3.10, the company – which is the second large Australian life office to demutualise in the past two years – is capitalised at about A$1.8bn.

Colonial said that more than three-quarters of its shareholders worldwide had opted to retain at least some of their shares – which meant the amount of stock going into the public offer was more limited than originally expected. This, coupled with the strong demand, contributed to the need for scaled-down allocations.

About half Colonial's 550,000 policyholders are in the UK, and they were allocated shares in the group when it demutualised. Like all policyholders, they had the option of retaining the shares or selling them as part of the float process.

Colonial said it would emerge from the offer for sale process with 534,000 shareholders, compared with 578,000 after demutualisation.

Its biggest institutional shareholders will include AMP, Australia's biggest life office, Bankers Trust Australia and Jardine Fleming Fund Management.

Coffee producers meet in wake of sharp price rises

Increases passed on to consumers as futures contracts hit 20-year highs

By Susanna Voyle in London

The world's leading coffee producers meet in London today after a blistering price rally which they fear could drive more people to drink tea.

A sharp rise in world coffee prices – which has already pushed some futures contracts to 20-year highs – combined with increased demand for tea means the pressure is on for coffee producers.

A wave of speculative money has been lured into the futures markets that determine world prices by a volatile mix of low stocks, tight supply and fears of frost in Brazil.

Consumers have been hit as the increased costs have been passed on to them. Retailers and manufacturers in the UK, Germany and France announced a fresh round of price increases on Friday.

The rally has been driven by New York's Coffee, Sugar and Cocoa Exchange which trades arabica beans, the high-grade product. Prices there have jumped by about 125 per cent this year. The July futures contract closed at a high for this year of 255 cents a pound on Thursday.

London's prices for robusta coffee – used in soluble and instant blends – have risen in their wake. On Friday prices for July delivery on the London International Financial Futures Exchange jumped by $127 a tonne to a 15½-month high of $2,060 before falling back to close at $2,030.

"Retail price rises have been going on since the first quarter of this year," said Mr Laurence Eagles, commodities analyst at GNI in Brazil. "And now we are starting another round. That is going to impact on demand at some point."

The International Coffee Organisation today starts a two-day meeting of its executive board – which represents the world's 16 main coffee growing countries.

They will study a new review of the situation in the markets along with the latest crop estimates and analyses. On Thursday and Friday, delegates from the 62 nations affiliated to the organisation will meet for wider discussions.

The coffee market is entering a critical period, with the dangers of a Brazilian frost increasing. The earliest recorded frost in Brazil – the world's biggest coffee producer – is in late May, but the main risk is in June and July.

Mr Eagles said roasters' stocks were down to a bare minimum – and the only two places where coffee was available to buy were Colombia and Brazil. He said the stocks situation had been exacerbated by a switch to "just-in-time" raw material delivery.

"They have been following the latest management theories. That may work in car parts, but it doesn't work in commodities. They will be rethinking that policy now."

Pearl may culture customers with bank

By Christopher Brown-Humes

Pearl Assurance is weighing moves into banking and direct phone sales as part of a business expansion strategy that builds on its recovery over the past year.

Mr Richard Surface, managing director, said the moves would enable the UK insurance group to do more business with its 3m customers.

However, it was not moving away from its core commitment to serving people in their own homes. Rather, "we are not getting as much money as we could get from the low- to middle-England market place," he said.

Pearl, which is part of Australian Mutual Provident, is contemplating a full-blown banking operation, which would require a Bank of England licence and build on its deposit-taking facility offered in conjunction with Bank of Scotland.

A number of other life insurers have also moved into banking, or are planning to do so, including Prudential, Standard Life and Scottish Widows.

Mr Surface believes Pearl Direct would enable the company to increase sales to customers it no longer sees face-to-face, but no decision has yet been taken on the format of the operation. The group says it already has a call centre management expertise, but so far this has been used for customer service rather than advice or selling.

Mr Surface said Pearl was "on the front foot again" after a radical overhaul of its salesforce and product range over the past two years to stem a dramatic slump in its fortunes.

Between 1975 and 1996 its UK new business market share collapsed from 6 per cent to 1.5 per cent and its salesforce fell into disarray, culminating in what Mr Surface describes as a "disastrous" visit by regulators in late 1994.

To redress the problems, Pearl halved its product range, overhauled its salesforce which it cut by 25 per cent to 4,000 people and replaced 12 out of 14 senior managers.

Mr Surface said the benefits included a reduction in annual operating costs from £410m to less than £250m this year.

The company has also increased year-on-year sales by 70 per cent, lifting its new business share from 1.5 per cent to 1.7 per cent between the second and fourth quarters of last year.

Its 13-month persistency rate – a measure of how many policies lapse soon after they are taken out – is currently 89.7 per cent, and improving by 0.1 percentage point a month.

Pearl believes it can increase efficiency further by cutting some of 128 district offices and switching some administration from them to the centre. It also plans a greenfield operation to handle new business from November.

Galen seeks £20m to fund drugs expansion

By Roger Taylor

Galen, the Northern Ireland pharmaceuticals company which has achieved 30 years of profitable growth without any external financing, will today announce plans to float on the stock market.

The company is raising new money largely to fund the rapid expansion of its Clinical Trials Supplies subsidiary which organises the packaging and distribution of new drugs used in patient trials. Each trial presents a complex but small-scale production and logistics operation which large pharmaceutical companies are increasingly keen to outsource, analysts said.

This business now accounts for 30 per cent of turnover and has most of the 10 largest pharmaceuticals companies as clients.

Galen has recently established a clinical trials operation in the US and is now setting up a chemical synthesis facility at its headquarters in Craigavon outside Belfast. This will give it the capability to do manufacturing for clinical trials as well as packaging and distribution.

The listing is designed to raised about £20m new money to finance the cost of these expansion programmes. The company will also sell a further £5m-£10m of existing shares.

Mr Allen Clay, chairman and founder, said he intended to keep the majority of the company in private hands.

Hoare Govett, which is handling the share placing, said: the company, with turnover of £31.1m and profits of £7.7m, was valued at up to £150m.

Mr McClay said: "We have proved ourselves very able at coping with changing circumstances."

The core of the business is a integrated pharmaceuticals company with a range of proprietary drugs and a sales force of 60 people in the UK and Ireland. Its leading products include Kapake, a painkiller, and a number of specialised sterile drips, marketed under the Ivex brand.

Its research and development programme is focused on designing an intra-vaginal ring to administer HRT hormones. Its lead product is currently in the final stages of clinical trials.

The gain in pain: production of Kapake, the painkiller, at Galen

NEWS DIGEST

CIR to buy rest of Sasib offshoot

CIR, the Italian industrial holding company controlled by Mr Carlo De Benedetti, will launch early next month a L475.1bn ($284m) public offer to acquire full control of Sasib, the Bologna-based machinery company. The move is a further step in Mr De Benedetti's strategy to simplify his holding company and refocus on core industrial activities. CIR currently owns 54.4 per cent of Sasib, which manufactures a range of products, including railway equipment and beverage machinery, and made net profits of L40.4bn on sales of around L1,600bn last year.

After a board meeting on Saturday, CIR said it would bid for the remaining 45.6 per cent, offering L6,800 a share for ordinary shares, L3,400 for savings shares, and a similar amount for savings shares from a convertible bond issue maturing at the end of this year.

CIR said its offer reflected a premium of 26.8 per cent on the average price this month of Sasib ordinary shares, taking account of the dividend payment due today, and a premium of 18.4 per cent for savings shares. Sasib ordinary shares last traded at L4,875 and the savings shares at L3,075. CIR also stressed that it would fund the operation from current cash and debt and would not resort to any capital increase. *Paul Betts, Milan*

Record result for TDK

The yen's weakness against the dollar and growing interest in new recording media helped TDK, the world's largest maker of magnetic tapes, achieve record profits in the year to March on surging sales in overseas markets including Asia and the US. Consolidated recurring profit nearly doubled to Y103bn, while after-tax profit grew 118 per cent to Y60bn.

The sale in July 1996 of Silicon Systems, a US semiconductor manufacturing facility, alone generated a pre-tax gain of about Y25bn. "Even without this gain, however, operating profit, pretax and net earnings reached all-time highs," TDK said. *Gwen Robinson, Tokyo*

Mitsui Fudosan in the red

Mitsui Fudosan, Japan's largest property developer, saw earnings plunge in the year to March on losses related to the disposal of non-performing assets and aggressive restructuring. The company posted recurring losses of Y66.4bn, compared with the previous year's recurring profit of Y8.4bn. After tax the loss was Y51bn, compared with the previous year's profit of Y6.9bn, mainly because of Y41bn in losses related to the disposal of fixed assets. Overall sales rose 3.5 per cent to Y687bn. *Gwen Robinson*

Nutreco values share issue

Nutreco, the Dutch animal and fish feeds producer which was bought out from British Petroleum for $425m less than three years ago, expects to command a market value of up to Fl 924m ($485m) in an international share offering which starts tomorrow. It is issuing nearly 5.29m shares, representing some 21.2 per cent of its expanded capital.

Existing shareholders are at the same time selling 9.53m of their shares and are willing to provide a further 2.22m units if demand is big enough. This means that as much as 68 per cent of Nutreco's equity could change hands in the offer being co-ordinated by Goldman Sachs International and Rabo Securities. *Gordon Cramb, Amsterdam*

Televisa closes $650m deal

Televisa, Mexico's all-powerful media conglomerate, last week closed one of its most profitable deals ever. The company received $650m in cash for part of its stake in PanAmSat, a US-based satellite operator. Televisa had paid only $200m when in 1992 it bought half of PanAmSat from an old business partner of its then chief executive, Mr Emilio Azcárraga Milmo. It reduced its stake to 40.5 per cent when PanAmsat went public three years later.

Last week's deal transferred most of Televisa's remaining stake to Hughes Electronics. Televisa will retain about 7.5 per cent in the company resulting from the merger of PanAmSat and Hughes' satellite operations. In addition, Televisa has acquired PanAmSat's stake in its own Direct to Home ventures in Spain and the Americas. *Daniel Dombey, Mexico City*

Balrampur Chini Mills ahead

A big increase in cane crushing helped Balrampur Chini Mills, one of India's largest sugar and distillery groups, unveil a 38.76 per cent increase in pre-tax profits for the year to the end of March, from Rs195.3m to Rs271m ($7.58m). However, net profits rose 20.84 per cent to Rs236m, after providing Rs35m for tax, compared with nil a year earlier. Net sales were Rs2.31bn, 28.34 per cent above those of 1995-96. Other income rose to Rs40.4m from Rs17.6m.

Earnings per share fell from Rs26.02 to Rs14.85 but this was due to the rise in equity capital following a bonus issue in the ratio of three new shares for every two held last July. The results were better than most analysts had expected. The group predicted a continued rise in earnings in the current year. *Kunal Bose, Calcutta*

Vitro raises $425m

Vitro, the Mexican glass manufacturer, last week issued $425m in debt, in a step which the company hopes will help put its finances on a healthy footing. In the past, the company has been troubled both by a high level of debt and by an excessive reliance on highly volatile peso debt, despite its considerable dollar earnings. However, a company spokesman said that the issue would help reduce interest payments and extend the average life of the company's obligations, as well as switching debt from pesos to dollars.

The $425m issue was in Yankee bonds, rather than Eurobonds, as previously had been reported. A $175m issue of five-year bonds will pay an annual 10.25 per cent, while the remaining $250m ten-year issue will pay an annual 11.375 per cent. After the issue, 60 per cent of the company's debt will be in dollars, with the remainder in pesos, reversing the previous proportions. *Daniel Dombey, Mexico City*

QCH accepts offer

Quality Care Homes has finally accepted a £46.3m cash bid from Principal Health care Investors, part of Omega healthcare of the US. The move at the weekend came after several months of negotiations and makes QCH the latest in a growing list of quoted nursing home operators to be acquired.

Mr Duncan Bannatyne, chairman of the nursing homes group, last month said he was willing to sell his 51 per cent stake, but cast doubt on whether the negotiations would be successful. He indicated he would not accept less than 330p a share for his holding.

Last week Principal agreed to pay the asking price. The cash offer of 330p a share represents a premium of 20.4 per cent to QCH's share price on April 25 when the company announced it had received an approach.

Mr Bannatyne had said he would want to approve arrangements for the future management of the homes before agreeing a sale, as Principal does not operate nursing homes itself. It is a finance company which buys homes and leases them to healthcare groups.

However, it was announced at the weekend that Principal has formed a joint venture with Tamaris, the nursing homes group, to operate the homes acquired through the QCH takeover *Joel Kibazo*

Singapore Airlines slowed by fuel costs

By James Kynge in Kuala Lumpur

Singapore Airlines, one of the city-state's top corporations, reported a modest increase in its full-year net profit, but operating revenues declined as fuel costs rose and the strong Singapore dollar affected demand in some important overseas markets.

Group net profit rose 0.6 per cent from S$1.025bn to S$1.032bn (US$721m) in the year to March 1997. However, operating profit from the company's core airline operations fell 13.6 per cent to S$653m.

Total revenues climbed 4.3 per cent to S$6.519bn, but at a slower pace than expenditure, which rose 6.7 per cent to S$5.866bn.

The company said it was proposing a bonus dividend of 7.5 cents a share to celebrate its 50th anniversary.

The earnings were in line with the stock market's expectations.

Mr Cheong Choong Kong, SIA deputy chairman and chief executive, said: "It was a disappointing performance, redeemed partly by our ability to sell surplus aircraft at a profit."

"The high aviation fuel prices, the strong Singapore dollar and sluggish economies in some of our markets are convenient excuses, but we will just have to do a better job at managing our yields and unit costs," Mr Cheong added.

The increase in group net profit was largely due to a surplus of S$159m made from the sale of aircraft and spares. Of this, S$111m came from selling four Boeing B747-200s and one B747-200 freighter; and S$48m from the sale of spares. In the previous year, there were no aircraft sales.

The overall yield in the period fell 4.6 per cent to 66.5 cents per load tonne kilometre from 69.7 cents a year earlier. The cargo yield dropped 4.6 per cent from 32.7 cents to 31.2 cents, and the passenger yield fell 3.9 per cent from 99.7 cents to 95.8 cents. Unit costs rose 0.5 percent to 43.8 cents per load tonne kilometre.

The higher prices of fuel added S$153m to expenditure, the company said.

CWS ready to defy predators

By David Blackwell

The Co-operative Wholesale Society is determined to keep at bay any further predators in the wake of Mr Andrew Regan's failed £1.2bn takeover bid.

Delegates to the CWS annual meeting in Manchester on Saturday unanimously urged the board "to take all necessary steps to ensure that the Society's assets are secured for current and future members".

A motion backing the actions of the board, which employed a security company and went to the High Court in the battle with Galileo, Mr Regan's vehicle for the bid, was passed without opposition.

Mr Lennox Fyfe, chairman of the board, said he had "rarely seen such hostility among co-operators". The meeting's message to predators was that "the assets of this society are not for sale at any price."

Delegates left the meeting convinced that the movement as a whole should take steps towards further co-operation between the different societies make the most of the Co-op name.

Mr Graham Melmoth, CWS chief executive, is keen for talks with other societies to start.

Shares in Lanica Trust, Mr Regan's investment vehicle which invested £500,000 in Galileo, remain suspended. Lanica is expected to announce its 1996 results this week, and is expecting the listing to be restored.

The CWS is understood to have received a total of about £2m from all the parties involved in the failed bid.

Last week it settled its civil action against Mr Regan; Mr David Lyons, his partner; Mr Allan Green, the CWS executive suspended during the bid; Galileo and Lanica. The CWS is proceeding with a private prosecution against Mr Regan, Mr Lyons and Mr Green for the theft of documents during the bid attempt.

Kyocera suffers sharp fall in profits

By Michiyo Nakamoto in Tokyo

Kyocera, the ceramics to cellular phones group, on Friday unveiled a sharp drop in profits on record sales, largely as a result of losses at DDI, its telecommunications affiliate, and the impact of a one-off boost to profits in the previous year.

Sales reached a record Y714.8bn ($6.2bn), an increase of 10 per cent from Y647.2bn, reflecting a strong rise in the telecommunications equipment division where demand for personal handyphone systems and cellular phone equipment was particularly buoyant.

However, pre-tax profits fell 29 per cent to Y116.4bn while net profits were 45 per cent lower at Y45.7bn.

The decline in profits reflected the impact of losses at DDI, the telecoms company in which Kyocera owns a 21.7 per cent stake.

A high level of capital investment in its PHS system, a lower-cost form of cellular phone, and incentive payments led to a Y26bn loss at DDI while Kyocera also increased its investment in DDI's PHS operators which impacted its profits.

Most business divisions saw a rise in sales. The largest increase came in the telecoms equipment business, where sales rose 40 per cent on strong demand for equipment from cellular phone and PHS operators.

Strong demand for cutting tools from the car industry, which boosted production ahead of an increase in consumption tax, and demand for solar systems helped support the ceramics and applied products businesses.

Solar heating systems enjoyed firm growth on the back of a Japanese government programme to subsidise 50 per cent of the cost of installing such systems for a certain number of houses.

Kyocera, which has a 40 per cent share of this market, expects demand for solar heating systems to expand even further and aims to raise its market share to 50 per cent.

Firm demand for Contax cameras, high-end 35mm cameras, supported higher sales in the optical equipment division.

However, slow demand for its karaoke system depressed sales in its information equipment division, which were down 11 per cent.

Kyocera expects a recovery in profits at DDI to support a 30 per cent increase in consolidated pre-tax profits in the current year, and a 57 per cent jump in net profits. Sales are forecast to rise 10 per cent.

First Philippine set to wind up

First Philippine Investment Trust, managed by Jupiter Asset Management, is to be wound up on June 25 with up to £48m handed back to shareholders, writes Roger Taylor.

The trust was set up in 1989 with a fixed seven-year life. Jupiter is offering holders a choice of cash or the chance to roll over their investment into one of two Luxembourg-based Philippines investments – an open-ended fund or a listed closed-end fund incorporated in Bermuda.

DLJ to expand in London

By William Lewis

Donaldson, Lufkin & Jenrette, the US investment bank, will today announce the opening of a private client services group in London as part of its expansion plans in Europe.

DLJ, which recently acquired Phoenix Group, the merchant bank boutique, currently employs 150 staff in London and anticipates doubling in size in the next two or three years.

The firm has signed a 15-year lease for eight floors of 99 Bishopsgate in the City, and plans to move in this year, after refurbishment.

Most of the big Wall Street firms made their big push into Europe in the 1980s and have built up substantial operations.

European banks are also attempting to build up operations in the US. For example, last week Swiss Bank Corporation announced that it is to pay $600m to buy Dillon Read, the Wall Street investment bank, as part of its attempt to become one of the world's leading investment banks.

In the US DLJ says it has more than 300 brokers who provide investment and portfolio services to wealthy individuals.

Mr Thomas Dicker, 43, has been hired from Morgan Stanley to become the managing director responsible for expanding the group's European client base and "developing an appropriate product range," DLJ said. Mr Dicker will report to Mr Michael Campbell, head of private client services based in New York.

The quiet man behind JCI

Roger Matthews profiles the publicity-shy Mzi Khumalo

Mzi Khumalo, whose ambitious plan to link JCI with Lonrho was revealed yesterday, spent 12 years incarcerated on South Africa's Robben Island, for his political beliefs and came to know President Mandela well.

He might have much the same infectious smile as the president, but there the similarities end.

He has readily taken to the formal business attire the president shuns, and seeks wherever possible to avoid publicity. His reputation was sustained yesterday with repeated "no comments" to all questions about JCI's future before he flew back to London where he has spent much of the past two weeks.

Should a deal eventually emerge it will confirm Mr Khumalo as one of South Africa's most dynamic black businessmen, and one who lives up to his determination to be guided primarily by the potential profitability of the businesses in which he is engaged. "I did not go into business because I knew Nelson Mandela," he says. "Knowing him is entirely irrelevant to the bottom line."

It was a philosophy born of his time on Robben Island, but one that has been substantially refined since then. In a rare interview last year shortly after pulling off the biggest black empowerment deal since the African National Congress came to power, Mr Khumalo said that while in prison he had reflected on his boyhood, when making measuring devices for beer retailers made him the "richest kid in the township". But it scarcely prepared him for a business career after leaving prison. The main credit for that goes to Mr Terry Rosenberg of Durban, now chief executive of McCarthy Retail, a car distributor and furniture retailer. As with any aspiring black businessman in South Africa, Mr Khumalo needed a mentor.

Mr Rosenberg says he identified his potential almost immediately. "Although a humble man it was clear he had great entrepreneurial spirit," he says. "Terry has been the biggest influence on my business life," says Mr Khumalo. "I have learned a great deal from him, and when I am in a tight corner I call him to ask what the hell I should do."

Mr Rosenberg was also determined that whatever assistance he gave to Mr Khumalo should entail real transfer of authority. So when Mr Khumalo set up Capital Alliance, a financial services company, with the assistance of Mr Rosenberg and Rand Merchant Bank, he controlled the operation. The rapid expansion of Capital Alliance eventually propelled Mr Khumalo to the head of the African Mining Group, an alliance of black business interests which at the end of November clinched the R2.8bn (£380m) deal with Anglo American for a 34.9 per cent stake, and control, of JCI.

Mr Khumalo said then his guiding ambition would be to unlock JCI's true value in its coal, gold, uranium and chrome assets. The importance of black control was less of a symbolic political factor for Mr Khumalo, but rather an opportunity for black owners to strike agreements with predominantly black unions. He also said at the time that black ownership would enhance JCI's ability to expand into the rest of Africa.

A business colleague of Mr Khumalo said yesterday that although "he has been running himself ragged during the past few weeks tying up the loose ends of the JCI deal, he has never lost sight of that bigger picture".

Nor, he claimed, had Mr Khumalo lost sight of another guiding principle which was to search out, and where necessary employ or co-operate with, the best talents available for growing the business. "There is nothing sentimental about Mzi", he said. "He will do what he thinks has to be done for JCI as a business."

BCI offers to buy stake in Cariplo

By Paul Betts in Milan

Banca Commerciale Italiana, one of Italy's biggest privatised banks, has offered to buy a stake in Cariplo of 25-30 per cent – worth between L2,400bn and L3,000bn ($1.43bn-$1.79bn) – in an attempt to become the strategic partner of the country's biggest savings bank.

The move came on the eve of a meeting today of the charitable foundation that controls Cariplo to decide on the future strategic partner for the privatisation of the Milanese savings bank.

BCI, advised by Morgan Stanley of the US, is challenging Banco Ambrosiano Veneto, another Italian private bank, to become Cariplo's strategic partner. Until now, Banco Ambrosiano Veneto, one of whose main shareholders is Crédit Agricole, the banking group, was seen as the front runner.

The stakes are high because once Cariplo has a strategic partner it would create a powerful new Italian banking group and mark a further step in the consolidation of the fragmented and troubled Italian banking system.

Both BCI and Banco Ambrosiano Veneto are proposing to form with Cariplo's foundation a holding company to be listed on the stock market, which would control their respective extensive banking interests.

Although BCI is seeking to join forces with Cariplo, financial analysts expect the Milan commercial bank eventually to forge even closer ties with Mediobanca. BCI has so far dismissed talk of a possible merger with Mediobanca, but banking analysts believe a link-up between the two would be attractive, with Mediobanca becoming BCI's merchant banking arm.

The bids for Cariplo coincide with the final stage this week of the privatisation of Istituto San Paolo di Torino, Italy's biggest banking group, also owned by a charitable foundation.

Already the new stable shareholders of San Paolo, led by the Fiat Agnelli family, are pressing for greater integration between San Paolo and IMI, the investment bank and medium-term credit institute based in Rome.

The idea is eventually to turn IMI, which owns a five per cent stake in San Paolo, into the merchant banking arm of the Turin commercial bank.

The Agnelli family's Ifi and Ifil holding companies, which have jointly acquired a 5 per cent stake in San Paolo as one of the bank's main stable shareholders, are understood to regard the close integration of San Paolo and IMI as a significant opportunity for both credit institutes.

San Paolo fixed at the weekend a maximum price of L10,850 a share for its global privatisation offering which will begin today (Monday) and close on Friday. San Paolo shares ended last week at L11,118.

The public will be granted a 2.5 per cent discount on the final price while bank employees will be given an additional 2.5 per cent discount.

Mr Jacques Calvet, chairman of Peugeot-Citroën, expects to announce the name of the successful bidder "very shortly"

Queue for Chinese car sale

By Haig Simonian and David Owen in Paris

The imminent sale of a large stake in one of China's first carmaking joint ventures has triggered interest from four leading car companies, in spite of a downturn in the Chinese car market.

Mr Jacques Calvet, chairman of Peugeot-Citroën, which is divesting its 22 per cent stake in Guangzhou Peugeot Automobile, said he expected to announca the name of the successful bidder "very shortly".

Mr Calvet said offers had been received from BMW, Honda, Hyundai and General Motors' Opel subsidiary. While none of the first three build vehicles in China, GM last year won a separate $1.5bn contract to make large passenger cars in Shanghai.

The level of interest in the Peugeot stake is surprising in view of the depressed Chinese car market and the particular problems that have affected Guangzhou Peugeot. Although the joint venture was formed about 10 years ago in the first wave of foreign participation in China's motor industry, it has failed to live up to expectations.

Output has been severely limited by distribution problems and differences between Peugeot-Citroën and its partners, which include the local authorities in Guangzhou. Production recently declined to a virtual standstill, and the French side has been frustrated by its inability to influence sale and distribution of the vehicles, which is handled by its Chinese local partners.

Mr Calvet said Peugeot-Citroën would concentrate its efforts on Citroën's big new Wuhan plant, authorised in the early 1990s.

He declined to indicate the value of the stake or the favoured candidate. Some believe BMW might have the best chance, as it is the least obvious competitor to Peugeot-Citroën's Wuhan products. That would be especially true were the German group to use Guangzhou Peugeot to build off-road Land Rover products, made by its UK Rover subsidiary.

CME stops Puls-TV funds

By Kevin Done, East Europe Correspondent

Central European Media Enterprises, the US pioneer of private commercial television in central and east Europe, has been forced by continuing heavy losses to discontinue funding the operations of Puls-TV, its regional television station for Berlin and Brandenburg.

Mr John Schwallie, CME finance director, said the Berlin station was expected to close and file for bankruptcy in the next two weeks, unless a new partner could be found.

CME, which is Nasdaq-quoted and controlled by Mr Ronald Lauder, one of the heirs to the Estée Lauder cosmetics fortune, said it was taking a $20m write-down against its German operations as a result of the failure of the Berlin station, in which it holds 59 per cent.

CME has been the only partner funding the station's losses of about DM2m ($1.2m) a month for the past 18 months. Other shareholders include Ulrich Schamoni, Time Warner Entertainment, George Soros, and APA Palladium.

CME said the Berlin television advertising market had not developed as planned. Puls-TV had failed despite several changes of concept and of management.

Mr Schwallie said CME was considering several options for financing the further development of its operations in central and east Europe following its decision last month to abandon a planned issue of $125m of convertible notes.

The issue was halted when a steep drop in the CME share price coincided with the start of the road-show. After three share issues in the past three years, CME was not considering raising more equity capital, said Mr Schwallie. It was working on a syndicated loan or other bank finance, including local debt financing in east Europe.

With local partners, CME already operates the top-ranked television stations in the Czech Republic, Slovakia, Romania and Slovenia and it is also engaged in the Ukraine.

Under US accounting rules the group increased its turnover in the first quarter by 25.4 per cent to $29.2m.

HKSE reviews allocation system

By Louise Lucas in Hong Kong

Massive oversubscription rates for mainland-backed share offerings in recent months have prompted Hong Kong regulators to review the system used to allocate shares among retail investors.

The Hong Kong Stock Exchange, which is examining a raft of share-offering mechanisms, expects to come up with a solution early next month.

Among the options are barring brokerages from participating in the retail offer and making institutional allocations to brokerages which they would then distribute among their clients.

Regulators were forced to address the issue after a spate of hotly fought after share issues from mainland-backed companies, or red-chips. These companies make up around one-tenth of the Hong Kong stock market's capitalisation.

In March a HK$105m (US$13.6m) issue by Gitic Enterprises, a marble and granite construction materials company, was nearly 900 times subscribed while Shum Yip, a window company from Shenzhen, saw its offering 430 times oversubscribed.

Investors have piled into these offerings as a play on China's fast growing economy, and in anticipation of quality asset injections from the parent – a trend which has again been especially marked in recent months.

Demand for the shares, especially for primary offerings, has been strongest among retail buyers, who account for around one-third of the Hong Kong market's turnover.

Mr Edgar Cheng, chairman of the stock exchange, said it was important to retain a balance between retail buyers, who help provide liquidity, and institutions: "But we want to give issuers and sponsors as much freedom as possible."

Mazda to cut jobs in North America

By Michiyo Nakamoto in Tokyo

Mazda, the Japanese carmaker controlled by Ford, is cutting 25 per cent of its workforce in North America as part of reorganising its operations there.

It is integrating five companies – its US and Canadian sales companies, its North America business headquarters, its research and development, and systems services – into two organisations, one US and one Canadian.

The 25 per cent cut in the workforce of 1,630 would be achieved through attrition and redundancies, said Mr Richard Beattie, president and chief executive officer of the company's North American operations, who joined Mazda in March from Ford Motor. The US car company has a 33.3 per cent stake in Mazda and is synchronising production cycles of some models.

Mazda's position in the North American market has deteriorated in recent years as the yen's sharp rise and a lack of new models have depressed sales.

Mazda Motor of America, the US sales arm and one of the companies to be consolidated, is believed to have made a net loss of Y10bn ($87m) in both 1994 and 1995 and a loss of Y11bn -Y12bn last year, according to Mr Matthew Ruddick, industry analyst at HSBC James Capel in Tokyo.

AutoAlliance, its joint venture with Ford, has suffered a sharp decline in capacity utilisation and is believed to have made a loss last year. Production at AutoAlliance was just 129,000 units in 1996, compared with a capacity of 240,000, Mazda said.

Mazda, which depends on overseas markets for about 60 per cent of its revenues, is aiming to improve its performance in North America, which accounts for more than 40 per cent of its overseas sales.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / **Peter Martin**

Lessons on baht and barriers

Two pillars of conventional wisdom have tottered in the past week. Events in Thailand have undermined the instinctive belief in south-east Asian growth. Events in Germany have weakened the country's claim to be a unique source of fiscal and financial integrity for the European single currency. Either development would have heeo noteworthy. Together they threaten some of investors' most reliable working assumptions of recent years.

The economic situation in Thailand has been worsening for a while, as the chart on the right shows. This week's events, however, indicate a new level of concern by the government and its friends in other Asean countries. A further weakening of the currency, and a growing sense of crisis in the financial sector, produced currency market intervention on Thailand's behalf by a number of other Asean governments, together with a set of informal exchange controls.

On Thursday, the Thai central hank urged local commercial banks to charge prohibitive swap rates to foreign clients, to prevent speculation against the baht. Perhaps more significantly, on Friday the central banks of Malaysia and Indonesia appear to have discouraged local banks from lending local currency to foreigners.

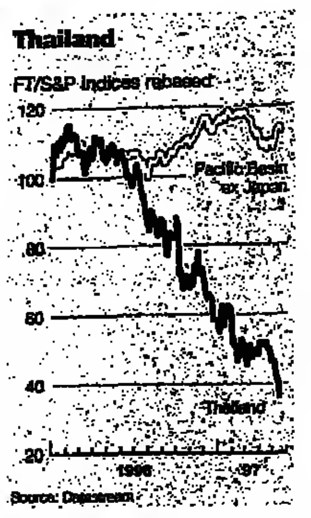
These measures will almost certainly prove temporary, and are in any case unlikely to do much to resolve Thailand's deep-rooted problems, especially in the financial sector. However, they are a symptom of wider Asian difficulties, neatly summarised by Morgan Stanley's analyst, Joe Quinlan: "Large current account deficits (Malaysia and Thailand); the loss of comparative advantage based on hitherto cheap labour as wage increases have overtaken productivity growth (South Korea and Malaysia); lagging technological capabilities (Indonesia, Thailand and the Philippines); and excess regional as well as global capacity in such industries as automobiles, steel and petrochemicals (South Korea)." Last week's events indicate that, in one country at least, these concerns have sharpened from a nagging worry to a genuine crisis.

In Germany, the government last week resorted to what in other countries would be seen as budgetary fudges to smooth the path to European Monetary Union. There is little point in theological debate about whether these manoeuvres comply with the definitions used in the Maastricht treaty: its convergence criteria are themselves highly artificial. More significant, perhaps, is the Bundesbank's apparent willingness to go along with the government's sleight of hand. In the past, it has had no difficulty in making known its views when it believed government policy was going adrift: the apparent silence this time underscores the extent to which Emu will be built on political rather than economic foundations. Other members of the euro bloc will be unable to count on a unique infusion of virtue merely by linking their currency indissolubly with Germany's.

Still, though the events of the past week have indeed brought into question some of the markets' recent working assumptions, more fundamental principles remain intact. The Thai example underlines a truth that was as valid for mid-19th century Britain as for late-20th century Thailand: fast growing economies invariably overstrain their financial systems unless governments are extremely careful. The second principle, illustrated as clearly by Chancellor Bismarck as by Chancellor Kohl, is that determined governments will always find a way round purely technical barriers, however formidable they may appear to more literal-minded observers. In this case, technicalities such as the precise wording of the Maastricht treaty will not impede the creation of Emu.

Each of last week's development's offers a lesson to investors. The lesson from Thailand is that south-east Asian growth was never the one-way het it sometimes appeared: but it is a much safer prospect in those emerging markets where governments have ensured domestic financial discipline and soundly-based financial systems.

The lesson from Germany is that Emu will happen on time. Indeed, it is possible that exchange rates for the core countries – France and the D-Mark bloc – may in practice be fixed as early as this autumn. The process will be messy and perhaps acrimonious, but it is now firmly on schedule. The consequences of Emu will be dictated by the laws of economics; but its gestation will be settled by no less irresistible political imperatives. Last week, we were given a reminder of just how powerful they can be.



Source: Datastream

Total return in local currency to 16/05/97

	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.01	0.06	0.07	0.14	0.12
Month	0.47	0.04	0.27	0.27	0.59	0.51
Year	5.85	1.01	3.25	4.12	8.50	6.43
Bonds 3-5 year						
Week	0.36	-0.15	0.27	0.40	0.75	0.93
Month	1.38	-1.13	0.79	0.66	1.26	1.87
Year	6.16	5.01	8.15	9.01	16.28	9.33
Bonds 7-10 year						
Week	0.47	-0.39	0.59	0.73	1.33	0.51
Month	1.90	-2.54	1.51	1.21	1.95	3.05
Year	6.67	8.56	12.40	13.22	24.63	14.34
Equities						
Week	2.5	-0.7	0.5	4.3	1.1	2.0
Month	11.3	10.5	6.2	5.2	1.4	8.2
Year	28.1	-9.1	41.5	34.0	20.8	25.3

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Gold Index Ltd. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE — Compiled by AFX News

Weak yen and strong cars drive Honda rise

Honda Motor is expected tomorrow to report a record annual pre-tax profit of Y353bn-Y402bn, up from Y115.13bn ($913m) a year earlier, on the back of strong auto sales and a weak yen, analysts said.

In November, the company forecast year to March pre-tax profit at Y345bn. Analysts said the run-up in demand ahead of the April 1 rise in the consumption tax to 5 per cent from 3 per cent boosted Japan's new vehicle sales by up to 200,000 units in the March quarter alone. Although domestic auto demand is expected to slow in the year to March 1998, analysts ssid Honda will be able to extend its earnings growth further in the current year.

■ Toyota Motor Corp is expected on Wednesday to report an annual pre-tax profit of Y730bn-Y800bn, up from Y420bn a year earlier, bolstered by a weak yen and a rise in domestic auto sales ahead of the April 1 consumption tax increase.

Analysts said higher demand before the consumption tax rise hoosted new vehicle sales by between 100,000 and 200,000 units in the March quarter.

Analysts said Toyota's improved product mix also helped underpin sustained earnings growth, following a series of aggressive launches of upmarket models and recreational vehicles, coupled with strong overseas sales.

Despite the expected slow-down in auto demand at home and overseas, analysts are optimistic about prospects for Toyota's year to March 1998 earnings growth thanks to the yen's sustained weakness.

■ Royal Nedlloyd is expected on Wednesday to report a first-quarter net result ranging from a loss of Fl 18m to a profit of Fl 2m, compared with a loss of Fl 15m ($7.7m) a year earlier.

Analysts said the P&O Nedlloyd Container Lines joint venture with Peninsular & Orieotal Steam Navigation, which started at the beginning of the year, would not make a positive contribution to first-quarter earnings.

■ KLM Royal Dntch Airlines is expected on Wednesday to report net profit for the year to March of Fl 192m-Fl 396m, down from Fl 547m a year earlier, analysts said.

Earnings per share, after the deduction of Fl 14m in preference dividends, are seen falling to Fl 2.61-Fl 4.41 from Fl 5.86, and the airline is expected to cut its dividend to Fl 1.20-Fl 1.75 from Fl 2, they said.

■ NEC earnings are expected to show a large decline when it reports on Thursday as a result of the sharp fall in microchip prices.

Pre-tax profits of Y115bn-Y120bn are expected. NEC itself has forecast a year to March pre-tax profit at Y120bn.

NEC will post an extraordinary loss of Y98bn due to the write-down of its stake in NEC Home Electronics, which will be offset by a Y80bn profit from securities sales and redneced taxes, NEC said late last year, when it revised its earnings. The company may have managed to offset the fall in D-Ram chip prices by raising its dependence on other memory chips such as logic chips in the domestic market, but a limited recovery in D-Ram chip prices worldwide may have eroded some of the benefit of this move, analysts said.

■ Mitsubishi Heavy Industries is expected to report on Thursday a pre-tax profit of Y195bn-Y210bn, a record high on the back a weaker yen which will have magnified the impact of the rise in offshore orders for plant and aircraft, analysts said.

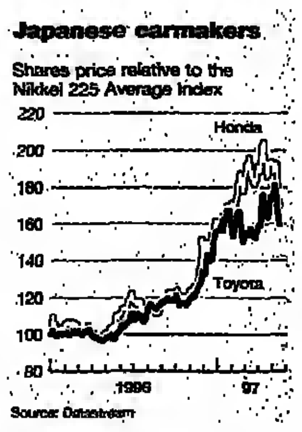
■ Marks and Spencer, the UK retailer, is expected to report pre-tax profits of about £1.1bn ($1.78bn) tomorrow, against £995m. But the focus will ba on what M&S has to say about current trading, given disappointmants from many of its retail colleagues in recent weeks with the notahla exception of Next. The market will also be keen to know whether Marks' food business is showing signs of slippage in the face of stronger competition from the likes of J Sainsbury, Tesco, Asda, and Safeway.

■ British Airways announces full-year results today, with pre-tax profits expected to be between £610m and £630m, compared with £585m last time. The airline is likely to be questioned on two issues. The first is the progress of its planned alliance with American Airlines, which awaits regulatory approval in the US, the UK and Europe. BA is pressing hard for the link-up to receiva the go-ahead because of the recent launch of the Star Alliance, consisting of United Airlines, Lufthansa, SAS, Air Canada and Thai Airways.

The second issna is the progress of BA's cost-cutting programme, which has resulted in industrial action from some staff.

■ Land Securities, the UK's largest property company, is expected to confirm the improved state of the market on Wednesday when it unveils its preliminary results.

The average increase is expected to be in the range of 5-6 per cent, which would translate into a net asset value per share of between 740p-750p, up from 691p a year ago.



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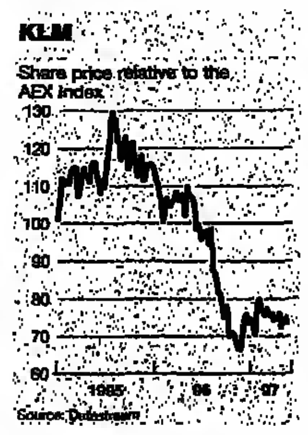


Source: Datastream

INTERNATIONAL OFFERINGS By Peter Wise

EdP float sparks Lisbon interest

An initial puhlic offer of Electricidade de Portugal, the national power utility, is riding on a wave of confidence set in motion by Lisbon's official transition from an emerging to a small developed European market.

Analysts see the EdP offer, Portugal's higgest privatisation to date, as the perfect opportunity for investors to increase Portugal's weighting in their portfolios after the recent decision by Morgan Stanley Capital International to reclassify Lisbon from Decemher 2.

Portugal will be the 15th market to be included in the MSCI Europe index, with a capitalisation in April representing 0.6 per cent of the total, the same as Ireland, currently the smallest market in tbe index.

The upgrading was widely expected following a series of large glohal offerings over the past two years, mainly privatisations, that have increased market capitalisation, liquidity and diversity.

Reclassification as a mainstream market should substantially increase trading volume in Lisbon. International funds not investing in Portuguese shares will almost automatically allocate their portfolio in accordance with the new weightings, using EdP as an entry point.

Last week's price range fixing of Es1,750-Es2,250 a share, at the lower end of expectations, will also help lift demand to what brokers expect to be record levels. The price values the company at Es1,050bn-Es1,305bn ($6.1bn-$7.9hn), compared with earlier valuations ranging up to Es1,700bn.

Governmeot officials say EdP, 100 per cent state-owned, needs to offer investors a premium as a company whose value has not been tested in the market. The final price, announced on June 16, is expected to be above Es2,000 a share.

"Portuguese companies have to be compared on a pan-European hasis these days," said a Lisbon analyst. "There is no point in trying to place EdP with a price/earnings ratio of 17 when there are other European utilities on 12."

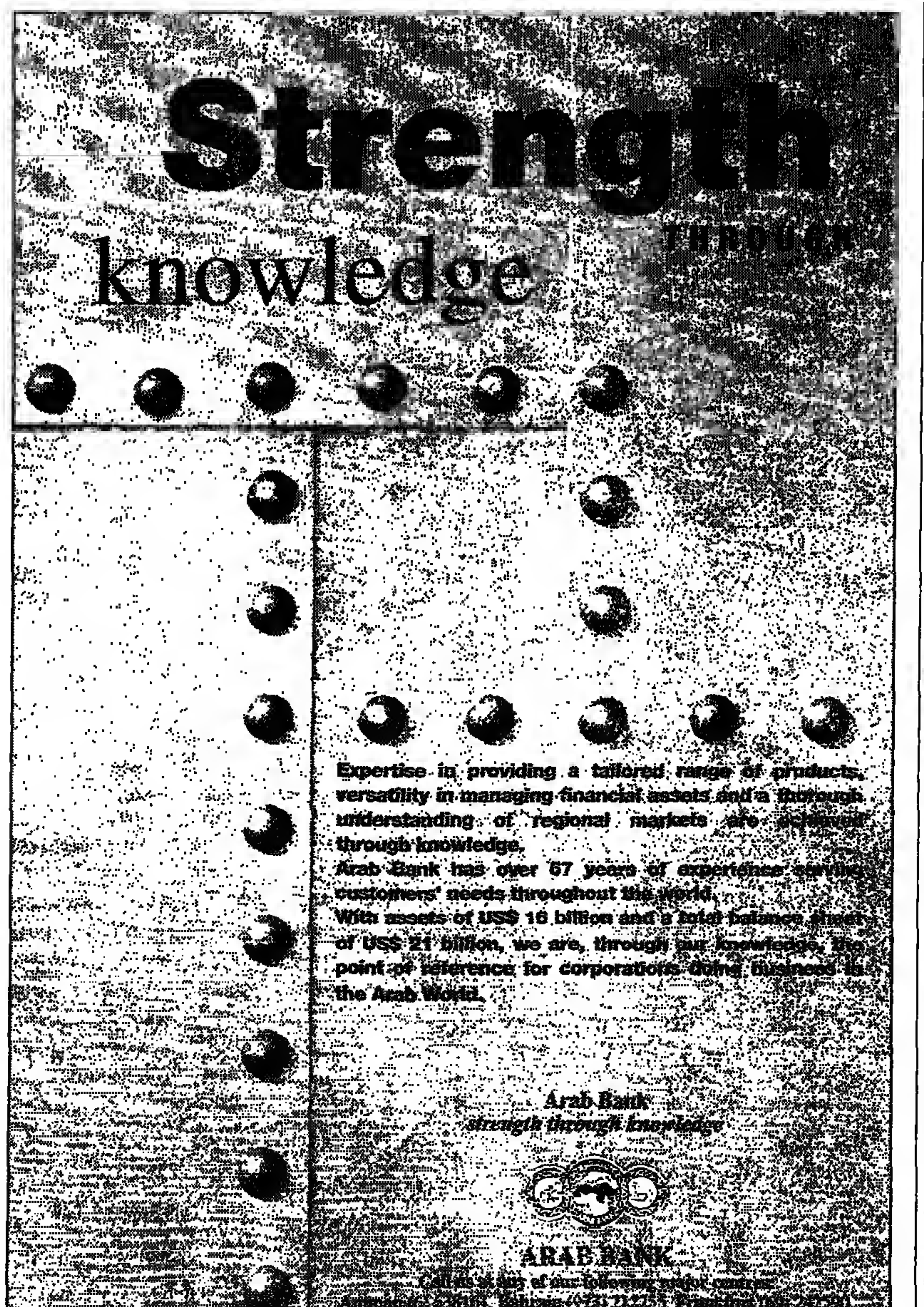
Brokers also see the pricing as the precursor to a long-term relationship hetween investors and EdP. The government is authorised to sell up to 49 per cent of the group, hut it will sell only 25 per cent this year, leaving the remainder for a secondary offering in 1999.

"It is far better to sell 25 per cent of tha company now at Es2,200 a share and another 24 per cent in two years time at, perhaps, Es4,000 than to sell all the 49 per cent now at tbe lower price," said a Lisbon hroker.

Demand for the offer is especially strong among small savers, who are being offered an unprecedented 6 per cent discount on the offer price and one bonus shara for every 25 shares they buy and hold for one year. Pre-registration for the retail offer begins today. More than Es180bn has already heen deposited in special accounts set up by banks for small savers who want to invest in EdP.

Global co-ordinators ABN Amro Rothschild, Goldman Sachs and Banco Português de Investimento will be ahle to expand the offer by up to 10 per cent if it is heavily oversubscribed.

Besides liquidity, EdP will bring greater balance to the Lisbon market, where it will he the higgest listed company. It is expected to account for about 8 per cent of total market value by the end of 1997. After being dominated by banks for a long period, the Lisbon market has steadily expanded to include more ntilities and industrial companies, reflecting the underlying economy more accurately.



FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	FRIDAY MAY 16 1997 US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	THURSDAY MAY 15 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	230.51	3.9	208.71	168.04	203.02	187.96	8.5	3.87	230.25	208.10	168.98	203.29	187.42	231.52	188.44	207.11
Austria (24)	191.58	0.9	173.48	139.66	168.73	168.69	11.0	1.88	190.84	172.48	140.06	168.50	168.45	185.04	174.70	185.75
Belgium (26)	248.94	8.3	225.39	181.47	219.25	214.74	20.4	3.33	248.96	225.00	182.71	219.81	215.25	248.96	206.70	207.78
Brazil (30)	254.62	34.2	230.54	185.62	224.26	500.13	37.9	1.43	251.98	227.73	184.92	222.48	495.12	256.86	162.65	165.50
Canada (113)	201.77	6.3	182.68	147.09	177.71	200.22	8.3	1.95	200.57	181.28	147.20	177.09	201.05	203.31	154.12	163.72
Denmark (32)	389.62	10.7	352.77	284.03	343.16	341.98	21.1	1.48	384.32	347.34	282.05	339.32	338.15	389.62	292.48	292.48
Finland (28)	273.12	11.2	247.29	199.10	240.55	292.84	23.2	1.56	269.38	243.44	197.68	237.82	290.41	273.12	186.67	190.01
France (91)	232.34	8.5	210.37	169.38	204.64	207.98	19.1	2.72	231.12	208.88	169.61	204.06	207.40	232.34	186.94	195.25
Germany (59)	213.45	12.3	193.26	155.60	187.99	187.99	23.5	1.51	210.77	190.49	154.68	186.09	186.09	213.45	167.18	167.41
Hong Kong (66)	497.23	-1.9	450.20	362.47	437.93	494.01	-1.9	3.06	497.73	449.84	365.27	439.46	494.46	514.49	407.55	425.58
Indonesia (27)	224.51	-1.8	203.27	163.66	197.73	335.58	1.5	1.70	225.39	203.70	165.41	199.00	337.72	-	-	-
Ireland (16)	350.96	6.7	317.78	255.84	309.10	324.16	18.4	3.01	349.44	315.82	256.45	308.53	321.57	350.96	270.08	275.08
Italy (59)	91.52	8.6	82.86	66.71	80.60	114.26	20.5	2.20	90.76	82.03	66.61	80.13	113.62	96.32	73.26	82.35
Japan (485)	133.40	3.4	120.79	97.25	117.48	97.25	2.7	0.81	131.34	118.71	96.39	115.97	96.39	159.23	107.57	159.23
Malaysia (107)	512.95	-15.0	464.43	373.93	451.78	490.83	-16.4	1.28	510.10	461.02	374.35	450.38	490.95	660.85	510.10	563.03
Mexico (27)	1400.73	14.8	1268.24	1021.11	1233.68	12084.97	15.1	1.21	1395.63	1261.35	1024.23	1232.24	12057.77	1445.68	1110.35	1267.37
Netherland (19)	372.29	10.8	337.08	271.39	327.89	323.63	21.9	2.42	371.84	336.06	272.89	328.31	324.03	372.95	279.88	294.55
New Zealand (14)	87.92	-4.2	79.61	64.10	77.44	87.34	-2.4	4.27	87.94	79.48	64.54	77.64	87.21	95.80	75.94	79.76
Norway (41)	303.87	2.8	275.13	221.52	267.63	290.60	13.4	2.12	301.48	272.48	221.25	266.18	289.12	321.23	243.72	243.72
Philippines (22)	153.70	-24.5	139.16	112.05	135.37	201.99	-24.3	0.92	157.23	142.10	115.39	138.82	206.70	-	-	-
Singapore (42)	388.35	-8.0	348.81	281.64	340.27	254.96	-5.8	1.11	389.45	351.98	285.81	343.85	257.38	448.01	360.08	418.43
South Africa (44)	359.37	12.8	325.38	261.97	316.51	351.46	8.0	2.42	359.96	325.33	264.17	317.82	352.47	370.12	301.49	359.14
Spain (35)	247.51	12.6	224.10	180.43	217.99	268.03	23.8	2.44	249.21	225.23	182.89	220.03	270.55	248.46	171.91	174.44
Sweden (49)	451.26	7.0	408.58	328.96	397.44	509.29	19.4	2.06	454.06	410.37	333.23	400.90	510.45	454.06	334.35	348.06
Switzerland (35)	293.62	23.1	265.84	214.04	258.60	258.36	30.1	1.30	289.77	261.88	212.66	255.84	257.66	293.62	229.36	233.28
Thailand (43)	59.76	-37.6	54.11	43.57	52.63	60.00	-37.1	5.20	60.15	54.36	44.14	53.11	59.06	180.09	58.79	178.82
United Kingdom (211)	302.96	7.0	274.30	220.85	266.83	274.30	11.8	3.57	302.76	273.65	222.20	267.33	273.66	303.16	226.63	230.37
USA (652)	335.79	11.2	304.03	244.78	295.74	335.79	11.2	1.82	340.47	307.71	249.86	300.61	340.47	340.47	254.79	271.10
Americas (822)	307.27	11.3	278.21	224.00	270.63	258.64	11.3	1.82	311.13	281.19	228.33	274.70	262.01	311.13	233.09	247.73
Europe (725)	263.79	10.1	238.84	192.30	232.35	242.18	18.4	2.80	262.67	237.39	192.77	231.92	241.61	263.79	204.71	207.39
Nordic (150)	390.51	7.7	353.67	284.75	344.03	381.17	19.5	1.90	390.11	352.57	286.29	344.43	380.38	390.61	291.45	297.16
Pacific Basin (882)	150.76	1.4	136.50	109.90	132.78	110.54	0.9	1.29	149.00	134.66	109.35	131.55	109.82	171.79	127.18	171.79
Euro-Pacific (1607)	197.91	8.1	179.19	144.27	174.31	160.22	10.2	2.01	196.41	177.51	144.14	173.42	159.50	197.91	175.55	186.51
North America (765)	327.80	11.0	296.62	238.82	288.53	326.81	11.0	1.83	331.86	299.93	243.54	293.00	331.21	331.86	248.65	264.44
Europe Ex. UK (514)	236.64	11.8	214.44	172.65	208.60	218.48	22.5	2.05	235.35	212.70	172.72	207.79	218.61	236.84	185.55	189.70
Pacific Ex. Japan (397)	301.68	-4.3	273.13	219.90	265.68	262.24	-3.6	2.82	301.76	272.73	221.46	266.43	262.45	320.65	268.97	289.64
World Ex. US (1821)	200.88	6.5	181.97	146.51	177.01	166.27	10.3	2.00	199.50	180.30	146.41	176.14	165.60	200.96	176.94	187.74
World Ex. UK (2262)	238.07	8.8	215.55	173.55	209.69	208.94	10.5	1.74	238.72	215.75	175.19	210.77	209.87	238.72	199.58	211.69
World Ex. Japan (1988)	300.39	9.8	271.97	218.98	264.56	269.29	12.4	2.15	302.21	273.13	221.78	266.82	291.27	302.21	238.10	243.69
The World Index (2473)	243.60	8.7	220.56	177.58	214.55	214.86	10.7	1.82	244.18	220.69	179.20	215.59	215.77	244.19	202.32	213.42

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.33 (Pound Sterling) and 184.40 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 16/5/97: Name changes: Far East Levingstone to Keppel FELS (Singapore); Straits Steamship Land to Keppel Land (Singapore); Amvesco to Amvescap (UK).

MARKETS: This Week

The event with the biggest impact on Wall Street this week will be tomorrow's meeting of the Federal Reserve's open markets committee, its first since it decided to raise interest rates in March.

In March, Mr Alan Greenspan, the chairman of the Fed, was thought certain to tighten monetary policy at least once more to make his message unambiguous. Since then, however, data have continued to show little sign of inflation, despite economic growth running ahead of expectations.

There is now a difference of opinion over the Fed's intentions. While a rise in rates had at one point been virtually fully discounted in both equity and bond prices, the meeting now seems likely to create a significant move in the market. Traders said that most regarded the chances of another rate rise this week as "fifty-fifty".

Markets last week continued to be highly volatile, in line with the trend for the year, although there were continuing signs that the rally in stocks, previously confined to a narrow range of blue chips, is broadening.

The Dow Jones Industrial Average, having completed its recovery from the drop of almost 10 per cent which followed the last rate rise, set a new closing high of 7,333.55 on Thursday, almost 250 points ahead of its March peak, before shedding 138.88 points on Friday. Bond yields also rose, with the yield on the benchmark 30-year Treasury bond falling to 6.9 per cent. It had earlier touched 6.86 per cent, its lowest since March.

Trade figures on Wednesday will give some indications of economic strength and the extent of consumer demand.

UK investors must be anxious to catch their breath after a whirlwind period following the Labour election victory, which has seen the FTSE 100 index hit repeated all-time highs and the yield on the 10-year gilt dropping back to 7 per cent.

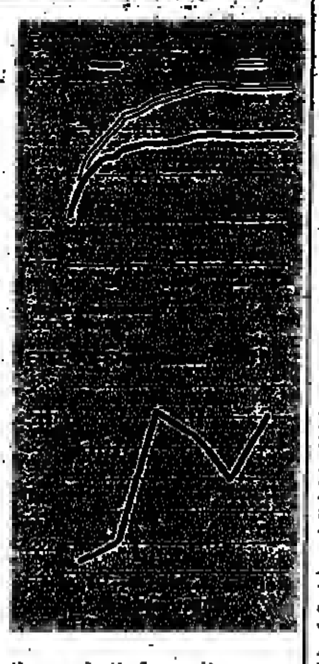
The new role of the Bank of England in setting interest rates has played a big part in this rally. With the Bank's latest inflation report indicating that rates will have to rise to head off price pressures, markets will be watching closely this week's data – notably on retail sales – to see if the consumer sector retains its recent buoyancy.

"Spending in April was probably upbeat and we look for a 0.8 per cent rise in sales," says Mr Nigel Richardson, head of bond research at Yamaichi International (Europe). "Against this background, a base rate rise seems likely post-Budget."

On the corporate front, analysts will pore over figures from the likes of Bass, British Airways, Marks and Spencer, PowerGen and Storehouse. They will also be looking for any further bid activity following last week's announcement of the planned merger between Guinness and GrandMet. The news revived several of the market's favourite takeover stories.

UK markets will of course be keeping a close eye on events overseas and in particular the meeting of the Federal Reserve's open market committee tomorrow.

The markets seem to have interpreted the latest round of economic statistics as indicating that the Fed will not tighten monetary policy, so any increase in rates might come as a nasty surprise.



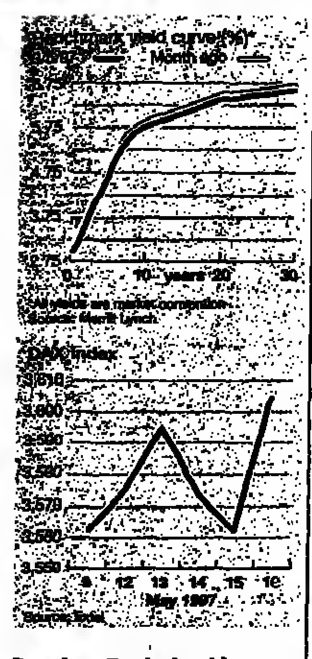
Another German stock market record tumbled on Friday. The DAX index broke through 3,600 for the first time in floor trading (though it slipped back in later electronic dealing) and attention is turning to the possibility of 3,700 or more.

By late summer, Westdeutsche Landesbank says the index could approach 3,800. It points to the continued low inflation and interest rate outlook and the fact that the risk premium for equities has fallen as companies adopt more transparent accounting practices and pay closer attention to shareholder value.

Dividends of more than DM14bn will be paid up to July and at least 30 per cent will probably be reinvested. Although a further rise in US interest rates this week could dampen sentiment, it is likely to be the last for some time. WestLB expects German inflation to ease further in 1997, helping keep domestic rates low.

Bank restructuring speculation enlivened the market on Friday. BHF-Bank and Bankgesellschaft Berlin shares gained 8 per cent. They denied any plans to link but the rumours kept the banking sector buoyant. This week's annual meetings of Deutsche Bank and Dresdner Bank should provide new data for the sector's followers.

Fiscal fudging by Mr Theo Waigel, the finance minister, to ensure Germany qualifies for European monetary union will hardly inspire market confidence. But, says Paribas: "The readiness to put politics before principle increases the chances of Emu starting on time." This does not bode well, though, for European bonds "as it dents the chances of firm fiscal policy post-Emu".



TOKYO: By Gwen Robinson

Markets will remain vulnerable this week to volatility in yen-dollar exchange rates and growing speculation about a possible increase in interest rates, even as equities show increasing signs of new resilience.

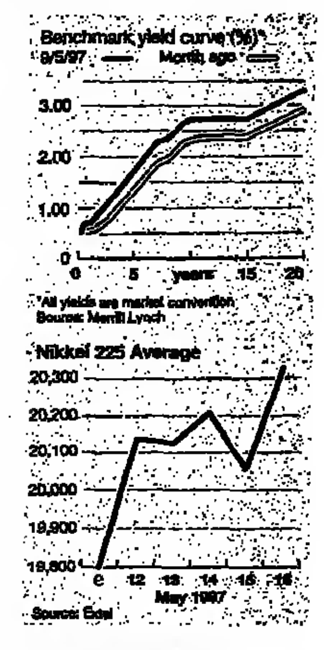
Analysts point to an overall shift in investors' interest from bonds to stocks. Indeed, the stock market snapped back after each dip last week, helped by New York's record gains and promising earnings forecasts from many large companies.

Although the Nikkei 225 Average fell more than 150 points mid-week, when the dollar plunged to the Y115 level, the market made a tactical shift as investors sold blue-chip exporters and bought domestic demand-related issues such as retailers, oil companies and property developers.

The 225 index rebounded to finish the week at the year's closing high of 20,324.73, up 1.3 per cent. Stocks are likely to continue upward this week, in light of recent solid buying interest among foreign investors and domestic institutions. But in the longer term, analysts say, further upward potential may be limited due to weakness in some economic fundamentals.

Japanese government bonds, meanwhile, closed the week slightly higher after recent setbacks. However, the yen's sharp appreciation has fuelled growing speculation about an interest rate rise and is likely to accelerate the shift into equities.

Markets are targeting early July as the likely time for a rate increase, around the July 2 publication of the Bank of Japan's "tankan" quarterly survey of business conditions.



Platinum in the spotlight

It is "platinum week" in London and producers, consumers, refiners and others from all over the world who are involved in the platinum group metals industry have gathered for their annual get-together.

Top of the list of topics for their consideration will be the question of when Russia will start exporting platinum and palladium again.

As Russia accounts for about 65 per cent of the western world's total palladium supply and 25 per cent of its platinum needs, tightness is being felt in the physical market and recently this has caused considerable volatility in prices.

Platinum week begins, as usual, with the publication today of the annual market survey from Johnson Matthey, the world's biggest platinum group metals marketing organisation.

In its interim review last November, JM suggested that platinum demand in 1996 would be virtually unchanged from the 1995 level at 4.77m troy ounces while supply would rise by 3 per cent to 4.85m. Palladium demand, it said, would also be stable at 6.11m ounces but that supply would fall by 6 per cent to 5.96m.

Tomorrow Mr Barry Davidson, managing director of Amplats, the world's biggest platinum producer, will be adding his views about platinum and palladium prices to those of JM. He is taking part in a South African Platinum conference organised by Deutsche Morgan Grenfell.

In a busy week for the metals industry, other events include Alumitech '97, the US Aluminum Association's second international conference and trade exposition, starting in Atlanta tomorrow. Copper traders, meanwhile, have been heading to Seville in Spain for Metal Bulletin's annual Copper Conference while the ITRI, formerly the International Tin Research Institute, is holding a World Tin Conference in Brussels.

Gold is not forgotten: first-quarter demand trends will be assessed by the World Gold Council on Wednesday.

PARIS

Last week's opinion poll swings, on balance, favoured Mr Jacques Chirac's ruling coalition; so the political status quo would appear to be intact as France enters the run-up to Sunday's first round voting in the general election.

The share market latched on to the political story with some aplomb, hitting new peaks during a number of sessions in vastly improved volume. Sentiment has also been helped by suggestions from several prominent brokers that equities can fare well enough, whoever wins the election.

Trading this week is reduced to four sessions by today's public holiday. When back at their desks, traders will focus mostly on Wednesday, and the annual meetings at the Lafarge cement giant and two prominent retailers, Promodes and Galleries Lafayette. Promodes also meets with analysts on Thursday.

There has been a genuine revival of interest lately in French shares, helped by talk of banking mergers and strong gains for motor and oil stocks. Last Wednesday, trading volume hit its best level for two months.

ZURICH

After last week's record-setting performance, when Zurich achieved five consecutive all-time highs, largely in response to developments in pharmaceuticals and banks, the insurance sector steps into the spotlight this week at a series of meetings with financial analysts.

Further details of their strong 1996 figures will be provided by Swiss Re tomorrow, Baloise on Thursday, and Zurich Insurance on Friday.

Mr Sylvan Zölle at Bank Sal Oppenheim in Zurich, notes that a good part of their 1996 improvements can be attributed to their investment operations and as a result of currency gains. He will be seeking clues of planned improvements in future operating results.

AMSTERDAM

The Dutch bourse also hit a fresh peak last week but brokers continued to urge caution. Bond yields in Amsterdam have begun to probe the lows seen earlier this year and with a potential mixed bag of corporate news in the pipeline, trading could be heading for an unsettled period.

Both KLM and Nedlloyd turn in results statements on Wednesday. The airline is expected to disclose steeply lower earnings for last year and most brokers predict a reduced dividend.

Nedlloyd, in contrast, may spring a pleasant surprise. Its first-quarter results are seen as potentially dull given weak shipping rates, and the analysts' range of earnings forecasts is wide. But some sector watchers are betting on a relatively upbeat statement from the group.

HONG KONG

Profit-taking is likely to haunt the Hong Kong market this week, after prices hit record highs last Wednesday, *writes Louise Lucas.* Red-chips and other China linked companies are expected to see their share prices come under pressure following losses on China's bard currency B-share markets.

The outlook for US interest rates is still being monitored closely, as any rise – which would feed through to Hong Kong via the currency peg – could hurt the property and banking sectors, both of which have been at the forefront of recent rallies.

A further negative is the potential for institutions, which have been overweight in Hong Kong, to begin reallocating funds to other parts of the region where stock markets have been falling, such as the Philippines, and where valuations are cheaper.

Dollar in a spin on talk of Japan rate rise

The dollar has lost more than Y11 against the Japanese currency in the past 11 days, mainly because the market believes Japan will raise interest rates, narrowing the yield gap with the US. However, if the Federal Reserve raises US rates after its Open Market committee meeting tomorrow, then the yield gap would grow and the dollar could benefit.

Tokyo officials had been trying for months to talk the dollar down. However, the currency kept rising because US bond yields were almost 400 basis points higher than Japanese yields.

Then talk began early in May that the Japanese economy had begun to accelerate. It was said that the Bank of Japan could raise rates as early as July. So traders repaid the yen they had borrowed at low interest rates in the previous two years and had used to buy high-yielding currencies such as the dollar.

The repayments of yen were hastened by a spate of US economic data which seemed to show that the American economy was slowing. At one point 80 per cent of economists had expected the Fed to raise rates tomorrow; now less than half do.

A rate increase, however, would do little for the dollar if the markets felt it was the last rise in a series. So if the Fed does raise rates, how it explains the move could determine the reaction.

Sunday sees the first round of the French general election. The franc could wobble on uncertainty in the run-up, as there are no more opinion polls before Sunday and a close result is expected. If the ruling Conservatives win, they will be seen to have a mandate to take the austerity measures required to qualify for European monetary union. The franc would be expected to benefit. If the Socialists win, they may not take painful measures. That could raise fears of an Emu delay, or a weak euro. The franc could suffer, and the D-Mark might fall against the dollar.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BT (UK)	MCI (US)	Telecoms	$20bn	Conditional EU OK
Southern Co (US)	Bewag (Germany)	Power	$1.9bn	A foreign first in Germany
China Everbright (China)	Hongkong Telecom (HK)	Telecoms	$1.5bn	Sensitive strategic stake
Panamco (Mexico)	Coca-Cola y Hit (Venezuela)	Soft drinks	$1.1bn	Further bottling changes
Novartis (Switz)	Unit of Merck & Co (US)	Agrichemicals	$910m	Plugging gaps
Banco Bilbao Vizcaya (Spain)	Banco de Crédito Argentino (Argentine)	Banking	est $400m	Indirect control
Zeneca (UK)	Mogen International (Netherlands)	Agrichemicals	$74m	Complementary buy
Commercial Union (UK)	York Insurance (US)	Insurance	$33m	Needs approvals
Wing Tai (S'pore)	Gieves & Hawkes (UK)	Retailing	$14m	HK arm Cash offer
National Express (UK)/ Schoyen (Norway)	Concordia (JV)	Transport	n/a	Echoes Stagecoach move

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, May 16, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbreviations: [illegible] ... THE WM/REUTERS CLOSING SPOT RATES ... [illegible]

EMERGING MARKETS

Politics key to success for Lima

How bullish you are about the prospects of Lima's stock market continuing its recent impressive performance seems to depend on the relative weight you give to political and economic factors.

Mr Richard Grasso, chairman of the New York Stock Exchange in Lima, last week argued that "in the long run, investors reward consistency. They have a good inkling that the Peruvian government is committed to a long-term strategy that emphasises growth without inflation and is unwilling to be diverted from that plan."

The four Peruvian companies listed on the NYSE (Telefonica, Banco Wiese, Credicorp and Buenaventura) "could easily approach 40 before long", he said. "There is an enormous pool of companies we could attract, here and in other Latin American countries."

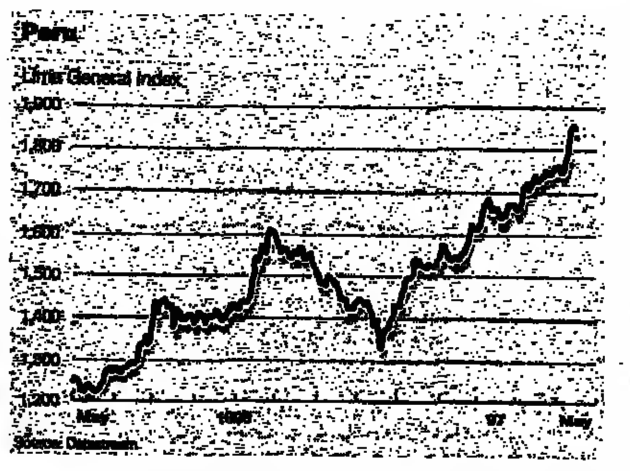
Somewhat ironically, his counterpart at the Lima stock exchange, Mr Jose Luque Otero, is less upbeat. "Although the index has risen substantially, foreign investors are waiting and watching what's going on politically," he says.

"Recent events – the attacks by the government majority on the constitutional tribunal, the national police fighting the local police, and the military and civilian judges at odds – create a nebulous sense of juridical insecurity. Investors don't understand what's going on and they don't like it."

Mr Arturo Porzecanski, chief economist for the Americas at ING Barings, and another passing visitor to Lima last week, added his own list of criticisms. The overture to yet another possible re-election attempt by President Fujimori has been premature and poorly handled, he said; the promised second wave of structural reforms has not materialised; and the long-term vision of where Peru is heading has, perhaps temporarily, vanished.

Despite the reservations of Messrs Luque Otero and Porzecanski, Lima has been one of the best-performing markets in Latin America this year. The general share index (IGBVL) has put on 30 per cent since the start of the year, and the blue chip index of the 15 most-traded shares 35 per cent. This contrasts with a lacklustre 1996 when dollar gains on the index were less than 3 per cent.

Showing some maturity, the Lima bolsa shrugged off the four month-long hostage crisis. Barring a one-day slump the day after Tupac Amaru guerrillas stormed the Japanese ambassador's residence on December 17, the index rose steadily throughout the siege.



"The market discounted the crisis," says Ms Raquel Lizarraga, Peru analyst for Fleming Latin Pacific, the regional office of UK-based investment bank Robert Fleming. "You get a discount anyway when you buy Peru. The hostage-taking brought nothing additional in terms of country risk."

Much of this year's rise in the index reflects investor relief at the pick-up in the economy. Last year was disappointing, with IMF-led demands for a post-election fiscal adjustment turning into what, frankly, was a recession. Domestic demand slumped and GDP struggled to close the year with a 2.8 per cent rise, barely half the government's original predictions.

This year has started positively, with GDP up an encouraging 4.8 per cent in the first three months. Most investment banks have revised their initial predictions for the year upwards to nearer 5.5 per cent than their original 4.5 per cent.

The underlying rate of inflation has dropped to single digits and, according to Mr Porzecanski at least, "the chances of ending the year nearer 8 than 10 per cent have certainly increased."

Peru's uncomfortably large trade deficit (still almost $2bn last year) is also moving in the right direction: the gap closed 27 per cent in the first three months of the year.

First-quarter company results have been positive overall. Added to the brighter macroeconomic panorama, "That's bringing foreign investors back to Lima," says Ms Lizarraga. "They're buying the Peru story again."

Star performers of the year so far have been mining shares. Stock in companies which primarily mine zinc, such as Milpo and Perubar, have shown handsome rises on the back of the consistent increase in world prices.

Some less frequently traded mining companies, such as Morococha and Atacocha, have registered rises in excess of 40 per cent in the past five daily trading sessions.

Cement companies, notably Cementos Lima and Norte Pacasmayo, have also outperformed the index. The construction sector, in the doldrums for much of last year, has picked up well: output grew 9.8 per cent in the first quarter of 1997, the second most buoyant sector after agriculture.

Public spending on road and bridge building, sharply cut back last year in the attempt to cool the economy, has resumed.

Economic revival – if such it is – has not yet reached Peru's beleaguered manufacturing sector, however. Beer sales – the traditional yardstick to measure the depth of the Peruvian-in-the-street's pocket – contracted yet again in the first quarter, with soft drinks and pasta also down. Manufacturing, which accounts for a fifth of overall GDP, rose only 2.7 per cent in the first quarter, well below the global figure.

With hold recommendations on cement and mining shares, local analysts are advising purchases of still-underperforming electricity stocks, the perennially attractive telecoms sector and some banks. All should do well on the back of the predicted GDP rise.

While macroeconomic prospects look good overall, analysts have two main caveats. First, growth in a small economy like Peru's is highly vulnerable to government decisions on public sector investment. Second, there is some unease as to what distortions the forthcoming redefinition of global and sectoral GDP indices – now scheduled for September – will throw up. Then, in the medium-term, there's the political factor.

Sally Bowen

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	16/05/97	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (449)	174.39	−1.14	−0.65	+1.52	+0.88	+14.29	+8.92
Latin America							
Argentina (22)	124.38	+2.44	+2.00	+11.76	+10.45	+17.24	+16.10
Brazil (24)	351.21	−1.83	−0.52	+16.81	+5.03	+90.19	+34.55
Chile (16)	194.21	−2.55	−1.29	+8.66	+3.55	+31.77	+19.55
Colombia (13)	239.42	−0.42	−0.19	+3.37	+1.43	+65.73	+37.84
Mexico (27)	95.09	+1.85	+1.99	+2.10	+2.26	+13.41	+16.42
Peru (12)	1,274.35	+19.31	+1.54	+31.53	+2.54	+267.14	+26.52
Venezuela (6)	70.58	+4.40	+6.65	+9.22	+15.03	+8.41	+13.52
Latin America (119)	179.60	+0.94	+0.53	+8.40	+4.90	+36.10	+25.19
Europe							
Czech Rep.(14)	88.34	+1.21	+1.38	−8.82	−9.08	−15.94	−15.28
Greece (20)	193.16	+6.95	+3.73	+30.75	+18.93	+80.85	+71.99
Poland (25)	+333.66	−0.77	−0.23	−8.19	−2.39	−10.08	−2.93
Portugal (18)	183.58	+0.02	+0.01	+19.28	+11.73	+37.40	+25.58
South Africa (30)	145.05	−1.19	−0.81	+2.01	+1.40	+15.17	+11.68
Turkey (27)	158.83	+6.35	+4.16	+0.97	+0.62	+33.78	+27.02
Europe (134)	138.46	+0.53	+0.38	+5.23	+3.92	+20.12	+17.00
Asia							
China (27)	61.11	−5.38	−8.09	+2.92	+5.02	+4.63	+8.20
Indonesia (30)	149.43	−4.73	−3.07	+3.89	+2.66	−7.00	−4.47
Korea (23)	82.44	+3.45	+4.37	−0.14	−0.17	+1.22	+1.51
Malaysia (24)	226.68	−12.15	−5.09	−12.17	−5.10	−53.74	−19.19
Pakistan (13)	66.53	+0.67	+1.01	+0.98	+1.50	+8.08	+13.82
Philippines (18)	250.99	−10.46	−4.00	−40.19	−13.80	−62.80	−20.01
Taiwan (31)	202.37	+0.72	+0.36	−4.15	−2.01	+18.94	+9.13
Thailand (29)	105.70	−9.77	−3.46	−33.00	−23.79	−49.46	−31.87
Asia (193)	199.47	−5.09	−2.49	−10.06	−4.80	−18.10	−8.32

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

Surge in demand for emerging market debt

Trading volumes of emerging market debt surged in the first quarter of 1997, underlining growing investor interest. The amount of debt traded reached $1,600bn, compared with $5,300bn for the whole of 1996, according to a survey by the New York-based Emerging Markets Traders Association.

EMTA said for the first time since it began compiling its debt trading surveys in 1992 trading in Brady bonds – issued in exchange for distressed commercial bank debt – represented less than half of reported volume. By contrast, interest in emerging market eurobonds and local currency debt instruments grew sharply.

"Most of our members have seen this on the wall for some time," said Mr Jonathan Murno, research director of EMTA. "This simply confirms the trend."

EMTA expects the trend to continue due to the decline in outstanding Brady bonds, as many countries continue to retire outstanding Brady debt. Countries such as Mexico, Poland and the Philippines have reduced their funding costs and improved investor perceptions of their creditworthiness through such programmes.

Also, only a few more countries – notably Vietnam and Ivory Coast – are expected to issue new Bradys.

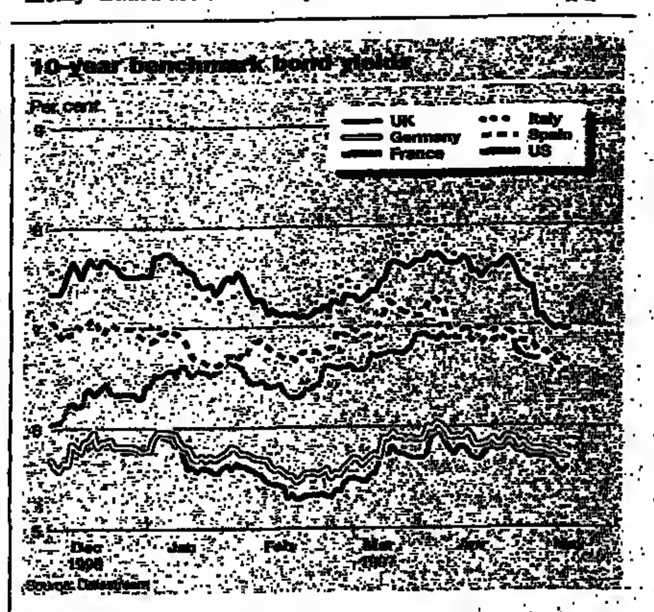
Bradys were still the most active category of emerging market debt, with $671bn traded, but this was only 41.4 per cent of total volume, compared with 50.7 per cent in 1996, 57.7 per cent in 1995 and 60.9 per cent in 1994.

By contrast, sovereign eurobonds accounted for 22.3 per cent of reported volume in the first quarter, up from 12.4 per cent in 1996. Argentine sovereigns were the most heavily traded (at $70bn), followed by Mexican and Brazilian corporate issues ($58bn and $56bn respectively).

Local market instruments were also more heavily traded, accounting for 26.4 per cent of reported volume in the first quarter, up from 22.4 per cent in 1996. Brazilian local instrument trading totalled $153bn, followed by Argentine local instruments at $85bn. Argentine Bocones continue to be the most commonly traded local currency instrument ($54bn) and the fifth most commonly traded instrument overall.

Trading in Brazilian assets was $559bn, 35.4 per cent of the total. Argentine assets were second most popular with $344bn traded; Mexican instruments third with $257bn. Venezuelan and Russian debt were fourth and fifth, with both at approximately $103bn. Ecuadorean debt was sixth with $59bn. Rounding out the top ten were South Africa ($39bn), Bulgaria ($34bn), Chile ($19bn) and Poland ($17bn).

Richard Lapper



INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	6.00	0.50	2.50	3.10	6.75	6.25
Overnight	n/a	n/a	2.95	[illegible]	[illegible]	[illegible]
Three month	5.78	0.53	3.09	3.28	6.89	[illegible]
One year	5.84	0.75	3.23	3.39	6.49	[illegible]
Five year	6.54	1.79	[illegible]	[illegible]	6.87	[illegible]
Ten year	6.69	2.72	5.78	5.63	7.20	7.05

(1) France intervention rate. (2) UK Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Total	300	Jun 2004	6.875	99.691R	6.932	+33(6⅝%-Apr02)	Morgan Stanley Intl
Suntrust Banks(a)★‡	350	May 2027	(a1)	99.313R	-	-	Lehman Brothers
Republic of Turkey(f)	400	May 2002	10.00	99.923R	10.02	+350(6⅝%-02)	JP Morgan/SBCW
Banco BMC(b)	50	May 2005	(b1)ø	99.8233R	10.32	+395(6⅝%-00)	West Merchant Bank
British Telecommunications	1bn	May 2007	7.00	99.722R	7.040	+26(6⅝%-May07)	Goldman/Merrill Lynch
BMC, 1997-1, Class A(h)★‡	743.2	Oct 2005	(h1)	100.00R	-	-	Merrill Lynch
Toyota Credit Canada	400	Jun 2002	6.625	99.623R	6.716	+11(6⅝%-Apr02)	Merrill Lynch Intl
Wachovia Bk of N Carolina‡	350	May 2002	(i)	99.73R	-	-	Merrill Lynch Intl
Nestlé Holdings(k)§	300	Jun 2002	3.00	100.00	-	-	CSFB
Kingdom of Sweden	500	May 2004	6.75	99.489R	6.844	+18(6⅝%-Apr02)	ABN Amro Hoare Govett
Yuaneng Power Intl(r)§	200	May 2004	1.75#	100.00	-	-	JP Morgan Securities
Banco Mercantil Argentino	50	May 2000	8.875#	99.884R	8.920	+255(6¾%-00)	BZW
Sieger do Brasil(y)★	50	May 2005	12.00#	99.78R	11.50	+500(6¾%-00)	LTCB International
Pesquera Austral(z)★	50	May 2002	10.75#	99.61R	10.89	+425(6⅝%-02)	LTCB International
FCCBO Ltd/FCCBO Cp(A)‡	802.5	Jun 2009	(A1)	99.84R	-	-	Goldman Sachs Intl
Czech Export Bank	250	May 2002	7.00	99.419R	7.142	+50(6⅝%-Apr02)	JP Morgan Securities
Goldman Sachs Group(E)‡	400	Jun 2004	(E1)	99.89R	-	-	Goldman Sachs Intl
UBS Finance(F)§	325	Jun 2002	2.75	100.00	-	-	UBS
Toronto-Dominion Bank	250	Jun 2002	6.75	99.71R	6.820	+21(6⅝%-Apr02)	IBJ International
Arisco(G)	150	May 2005	10.75#	99.291R	10.80	+425(6⅝%-02)	Goldman Sachs Intl
D-MARKS							
Argentaria Global Finance‡	300	May 2002	(m)	99.952R	-	-	Paribas
GMAC Canada(l)	250	Jun 2002	5.00	100.16R	4.963	-	Dresdner KB
Tokyo Electric Power Co	1bn	Jun 2002	4.75	99.90R	4.773	+29(4¾-Nov01)	WestLB
Westpac Banking Corp‡	350	Jun 1999	(B)	99.96R	-	-	JP Morgan
YEN							
New America(c,s)★	30bn	May 2000	5.25	100.00	-	-	Nomura International
Mitsubishi Elc Fin America★	10bn	Jun 1999	1.50	101.18	0.902	-	Daiwa Europe
Marubeni Intl Finance★	10bn	May 1999	1.50	101.14	0.922	-	Daiwa Europe
STERLING							
United Mexican States	300	May 2002	8.75	99.713R	8.823	+175(7%-02)	BZW
Castle Transmission Fin(u,s)	125	Mar 2007	9.00	99.161R	9.14	+195(7¼%-07)	CSFB
National Power(C)	200	Jun 2022	6.125	99.326R	6.189	+83(8%-2021)	BZW
Compagnie Bancaire‡	200	Jun 2004	(D)	99.895	-	-	BZW
FRENCH FRANCS							
Export-Import Bk of Japan	2bn	Jun 2008	5.75	99.721R	5.785	+12(t)	Banque IBJ/Paribas
Volvo Group Fin Sweden	1bn	Jun 2009	6.125	99.502R	6.185	+47(t)	ABN Amro France/BNP
European Inv'ment Bank(v)	500	Jun 2007	(v1)	100.00R	-	-	Société Générale
SWISS FRANCS							
RBS(s)‡	225	May 2001	(n)	101.337	-	-	Deutsche Morgan G'fell
Westdeutsche Landesbank	150	Jun 2007	3.75	103.10	3.380	-	SBC Warburg
Bank of Nova Scotia	100	Jul 2003	3.125	102.10	2.741	-	del Gottardo/von Ernst
Dresdner Finance(e)	100	Jun 2001	2.25	100.70	2.066	-	CSFB
Republic of Finland	200	Jun 2005	3.25	101.25	3.071	-	SBC Warburg
Aegon	150	Jun 2004	3.25	102.56	2.843	-	ABN Amro Hoare Govett
ITALIAN LIRE							
Bayerische Hypo(o,l)	200bn	Jun 2002	7.10	101.635	-	-	BNL/Cariplo/IMI Lux
Sanwamerica Inst Funding(w)	100bn	Jun 2000	zero	101.275	-	-	Cariplo
Telecom Argentina	400bn	May 2007	8.875	99.33R	8.979	+100(swaps)	JP Morgan Securities
Mediocredito Lombardo‡	300bn	Jun 2004	(H)	99.80R	-	-	BNL/Cariplo/JP Morgan
GUILDERS							
Commerzbank O'seas Fin	250	Jun 2003	5.00	99.615R	5.078	+10(6⅝%-Apr03)	ABN Amro Hoare Govett
Sara Lee Corp(d)	250	Dec 2001	4.75	99.77R	4.820	+27(t)	ABN Amro Hoare Govett
Kansai Electric Power	1bn	May 2007	5.75	99.532R	5.813	+21(5¾-Feb07)	ABN Amro Hoare Govett
Republic of Italy	1.25bn	May 2012	6.125	98.19R	6.210	+29(t)	ABN Amro Hoare Govett
EUROS							
GECC(f)	150	Jun 2002	5.125	99.87R	5.155	+3(6½%-Apr02)	Paribas
Banque Generale du Lux(f)	75	Jun 2003	5.50	102.04	5.097	-	BGL
LUXEMBOURG FRANCS							
GenFinance Luxembourg(l)	2bn	Dec 2005	(q)	102.50	5.64	-	BGL
Argenta Nederland	2bn	Jun 2002	5.10	100.00	5.100	-	BCEE
NEW ZEALAND DOLLARS							
Bayerische Hypo	100	Jun 1999	7.75	100.875	7.264	-	Toronto Dominion Bank
Commerzbank	100	Jun 2000	7.75	101.075	7.338	-	Hambros Bank
PESETAS							
Vereinsbank(x)	10bn	Apr 2001	5.452	100.00	-	-	Argentaria
DSL Bank(x)	10bn	Apr 2001	5.3836	100.00	-	-	Argentaria
ESCUDOS							
Danone Finance(o)‡	7.5bn	Jan 2002	(o1)	100.00	-	-	BSN Portugal
CANADIAN DOLLARS							
Farm Credit Corp	100	Jun 2002	6.00	99.725R	6.065	+17(7%Sep01)	Toronto Dominion Bank
RAND							
EBRD	7bn	Jun 2027	zero	3.15R	12.22	-	Toronto Dominion Bank
Deutsche Finance Neths	2bn	Jun 2017	zero	7.45R	13.87	-	Deutsche Morgan G'fell
Swedish Export Credit	3bn	Jun 2027	zero	2.78	12.68	-	Hambros Bank
ZLOTYS							
European Inv'ment Bank(p)	100	Jun 1999	19.50	100.75	19.02	-	Morgan Stanley Bank
Republic of Austria(p)	100	Jun 1999	19.25	100.00R	19.25	-	Morgan Stanley Bank
ARGENTINE PESOS							
City of Buenos Aires(s)	150	May 2004	10.50§	99.854R	10.53	+395(t)	Chase Manhattan Intl

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. øWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Callable from May 07 at par. a1) 3-mth Libor +67bp. b) Callable & puttable on 22/5/00 & 02 at par. b1) 10¼% to 22/5/00, then 10½% to 22/5/02, then 10¾%. c) Redeemed in US$. d) 3-mth Libor +6bp. e) Fungible with SFr300m. No accrued. f) Pays in Ecu prior to Emu. g) 5% to 27/12/01, then 7½%. h) Beneficial Mortgage Corp. Legal maturity: 28/5/37. Av life: 2.21 yrs. h1) 1-mth Libor +12bp. h2) Class M: $32.313m, Oct 03, av life: 4.70 yrs, 1-mth Libor +25bp. h3) Class B: $32.313m, Oct 03, av life: 4.69 yrs, 1-mth Libor +36bp. i) Over interpolated yield. j) 3-mth Libor -6¼bp. k) Conv price: SFr2,277.78. FX: 1.435SFr/$. Callable from 17/6/00 at par. l) Long 1st coupon. m) 3-mth Libor +6¼bp. n) Callable on 17/6/99 at par. o) Callable on 18/6/99 at par. o1) 6-mth Libor +30bp to 18/6/99, then 6¾%. p) All payments in DM. q) Spread relative to US Treasuries. r) Conversion price: $29.20 per ADS. Puttable on 21/5/02 at 128.575%. Callable from 21/5/00, subject to 130% hurdle, at par. Greenshoe: $30m. s) Short 1st coupon. t) Includes $100m increase at 100.046R, +348bp. u) Spens call provision (anytime at higher of par or gilts +50bp). Event risk put option at 101%. v) Callable on 13/6/02 at par. v1) 5.105% to 13/6/02, then 6.70%. w) Redemption formula: 100% + [21.06% + 5 x [(10yr - 3yr swap rates) -0.44%]], min zero. x) Quarterly coupons. y) Puttable on 15/5/00 at 97.96%. Callable & puttable on 13/5/02 at 98.10%. z) Callable on 9/5/00 at 100½%. A) Callable from 3/6/00 at par. Av life: 8½ yrs. A1) 6-mth Libor +37½bp. B) 3-mth Libor -5bp. C) Spens call provision. Standard restructuring event put. D) 3-mth Libor +10bp. E) Callable from Jun 00 at par. E1) 3-mth Libor +23bp. F) Conversion price: SFr1,845. FX: 1.43 SFr/$. Callable from 16/6/98 at 102%, 101% & par in yrs 3-5 respectively and with 130% protection in yr 3. G) Plus 7 days accrued. Callable & puttable on 15/5/02 at 99¾%. H) 6-mth Libor +35bp; max increase of 40bp. Note: Yields are calculated on ISMA basis.

هكذا من الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

May 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.5249	-0.0826	132 - 366	19.6756	19.5132	19.4714	3.3	19.3634	2.9	-	-	103.2
Belgium	(BFr)	57.2798	-0.2309	295 - 300	97.7150	57.2230	57.1248	3.2	56.8098	3.3	55.3798	3.3	103.0
Denmark	(DKr)	10.5645	-0.0474	596 - 694	10.6481	10.5596	10.539	2.9	10.4865	3.0	10.265	2.8	105.7
Finland	(FM)	8.3659	-0.0612	593 - 725	8.4470	8.3599	-	-	-	-	-	-	82.1
France	(FFr)	9.3445	-0.0395	394 - 495	9.4165	9.3389	9.3205	3.1	9.2724	3.1	9.0498	3.2	106.0
Germany	(DM)	2.7740	-0.0118	724 - 756	2.7968	2.7716	2.7664	3.3	2.7504	3.4	2.6801	3.4	104.4
Greece	(Dr)	442.191	-2.664	974 - 407	446.455	441.865	-	-	-	-	-	-	65.1
Ireland	(I£)	1.0734	+0.002	720 - 748	1.0781	1.0704	1.0735	-0.1	1.0725	0.3	1.0655	0.7	98.9
Italy	(L)	2737.49	-12.15	543 - 956	2754.16	2733.07	2739.19	-0.7	2740.59	-0.5	2744.44	-0.3	76.2
Luxembourg	(LFr)	57.2798	-0.2309	295 - 300	57.7150	57.2230	57.1249	3.2	56.8098	3.3	55.3798	3.3	103.0
Netherlands	(Fl)	3.1187	-0.0132	170 - 204	3.1439	3.1170	3.1102	3.3	3.0922	3.4	3.0141	3.4	102.8
Norway	(NKr)	11.5374	-0.0522	297 - 450	11.6593	11.5282	11.5069	3.2	11.4474	3.1	11.2014	2.9	98.2
Portugal	(Es)	279.284	-1.657	158 - 410	282.028	279.158	279.134	0.6	278.759	0.8	-	-	94.0
Spain	(Pta)	234.084	-1.006	811 - 218	236.140	233.730	233.904	0.8	233.464	1.0	230.708	1.4	77.9
Sweden	(SKr)	12.4836	+0.027	736 - 935	12.5131	12.4138	12.4621	2.1	12.4141	2.2	12.2201	2.1	84.0
Switzerland	(SFr)	2.3241	-0.0287	226 - 256	2.3572	2.3218	2.3148	4.8	2.2956	4.9	2.2117	4.8	105.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	98.6
Ecu	-	1.4210	-0.0072	201 - 219	1.4344	1.4201	1.4183	2.2	1.4124	2.4	1.3853	2.5	-
SDR†	-	1.174684	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6367	-0.0034	362 - 372	1.6424	1.6322	-	-	-	-	-	-	-
Brazil	(R$)	1.7474	-0.0036	457 - 481	1.7526	1.7427	-	-	-	-	-	-	-
Canada	(C$)	2.2440	-0.0267	429 - 450	2.2541	2.2303	2.2378	3.3	2.2283	3.2	2.1846	2.6	85.1
Mexico	(New Peso)	12.9215	-0.0406	094 - 396	12.9578	12.8853	-	-	-	-	-	-	-
USA	($)	1.6375	-0.0029	370 - 380	1.6427	1.6325	1.6367	0.8	1.635	0.6	1.6292	0.5	101.9
Pacific/Middle East/Africa													
Australia	(A$)	2.1144	-0.0002	131 - 157	2.1222	2.1039	2.1138	0.3	2.1119	0.5	2.1018	0.6	94.8
Hong Kong	(HK$)	12.6718	-0.0207	671 - 765	12.7124	12.6339	12.6658	0.6	12.6552	0.5	12.6206	0.4	-
India	(Rs)	58.6471	-0.1021	882 - 059	58.8330	58.5090	-	-	-	-	-	-	-
Israel	(Shk)	5.5454	-0.0309	385 - 522	5.5797	5.5176	-	-	-	-	-	-	-
Japan	(Y)	188.845	-1.8	748 - 943	191.840	188.230	187.785	6.7	185.775	6.5	176.96	6.3	131.1
Malaysia	(M$)	4.0668	-0.0325	647 - 688	4.0992	4.0593	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3617	+0.001	598 - 636	2.3695	2.3551	2.3615	0.1	2.3625	-0.1	2.3697	-0.3	113.0
Philippines	(Peso)	43.1809	-0.0899	350 - 268	43.2268	43.1350	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1415	-0.0108	394 - 436	6.1609	6.1280	-	-	-	-	-	-	-
Singapore	(S$)	2.3449	-0.0077	434 - 464	2.3529	2.3307	-	-	-	-	-	-	-
South Africa	(R)	7.3270	-0.0216	223 - 317	7.3590	7.2087	-	-	-	-	-	-	-
South Korea	(Won)	1459.83	-2.54	529 - 437	1465.29	1455.29	-	-	-	-	-	-	-
Taiwan	(T$)	45.4161	-0.161	615 - 709	45.6059	45.3182	-	-	-	-	-	-	-
Thailand	(Bt)	42.3622	+0.6613	673 - 570	42.5040	41.7870	-	-	-	-	-	-	-

† Rates for May 15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£
Belgium	(BFr)	100	18.44	16.31	4.843	1.874	4779	5.445	20.14	487.6	408.6	21.79	4.057	1.746
Denmark	(DKr)	54.22	10	8.845	2.626	1.018	2591	2.952	10.92	264.4	221.6	11.82	2.200	0.947
France	(FFr)	61.30	11.31	10	2.969	1.149	2930	3.338	12.35	298.9	250.5	13.36	2.487	1.070
Germany	(DM)	20.65	3.808	3.369	1	0.387	986.8	1.124	4.159	100.7	84.38	4.500	0.838	0.360
Ireland	(I£)	53.36	9.842	8.705	2.584	1	2550	2.905	10.75	260.2	218.1	11.63	2.165	0.932
Italy	(L)	2.092	0.386	0.341	0.101	0.039	100	0.114	0.421	10.20	8.550	0.456	0.085	0.037

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

STERLING FUTURES (IMM) £62,500 per £

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

UK INTEREST RATES

LONDON MONEY RATES

UK clearing bank base lending rate 6¼ per cent from May 6, 1997

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

US TREASURY BILL FUTURES (IMM) $1m per 100%

All Open interest figs. are for previous day

BANK OF ENGLAND TREASURY BILL TENDER

Pound in New York

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

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Other Fixed Interest

Notice of Interest Rate

To the Holders of

The United Mexican States

Collateralized Floating Rate Bonds Due 2019

May 19, 1997 CITIBANK, N.A., Agent

Malaysia

In just 20 years, a nation which relied on rubber and tin has become an Asian tiger in the information age. James Kynge reports

A technological transformation

The most overworked phrase in the repertoire of Malaysian officials is perhaps "paradigm shift". Yet this is not surprising; the country has shown itself a master of economic metamorphosis. In the space of just two decades, it has changed from a firmly third world nation reliant on rubber and tin, into an Asian tiger driven by manufacturing exporters.

But now the paradigms are shifting once more, this time more radically than ever. Dr Mahathir Mohamad, the country's hard-driving prime minister since 1981, has taken to heart the teachings of one of his advisers, Mr Kenichi Ohmae, the renowned Japanese business guru and author of *The Borderless World*.

"We are now moving into the post-industrial age. We are shifting from the industrial society into a borderless information age, a globalised economy where borders can no longer protect us from the predatory economies of the world," Dr Mahathir said.

"It is for this reason that we decided to make a bold move into the information age by launching the Multimedia Super Corridor (MSC). The whole approach is radical. If we have to take down our national boundaries, we might as well get something from what will be coming in," he added.

It has struck some as an irony that Dr Mahathir, one of the most trenchant critics of the Western media, now spends much of his time wooing the sharpest operators in the global information technology industry to invest in the MSC, a 750 sq km zone near Kuala Lumpur, the capital.

The MSC requires the construction of two cities and other infrastructure, at a total cost of more than M$43bn. Work has begun.

Reactions from potential MSC investors has so far been positive. But other observers remain sceptical. They fear that if the MSC, or other mega-projects such as the construction of South-east Asia's biggest hydro-electric dam in Borneo, were to falter, then the government would be left with hefty bills to pay.

Last year, the economy recorded its ninth consecutive year of growth at above 8 per cent. Gross domestic product (GDP) expanded at 8.2 per cent, after peaking at 9.5 per cent in 1995 and 9.2 per cent in 1994. With some exceptions, economists are expecting that growth this year will again achieve or surpass 8 per cent.

The federal government recorded another budget surplus in 1996, the national savings ratio rose to 38 per cent of GNP, and by official measurements (which are disputed) inflation was just 3.5 per cent last year. There is full employment and the current account deficit, which last year was the chief source of alarm for portfolio investors in Malaysia, has narrowed to levels no longer considered dangerous.

The stock market, already the fourth largest in Asia after Tokyo, Osaka and Hong Kong, has been growing apace. A record 92 companies secured listings on the bourse last year, contributing to a 43 per cent increase in market capitalisation to M$807bn at the end of 1996. However, it has fallen back this year.

"Malaysia's development has been a very singular achievement," said Mr Neil Saker, regional economist at SocGen-Crosby Securities in Singapore.

The government is determined to keep the economy's engines roaring up to and well beyond the Commonwealth Games in September 1998 when, it is hoped, Malaysia's achievements will be on display to the world.

The central bank estimates that over the 10-year period to 2005, about M$1,500bn in capital outlay will be needed if the country is to remain on course for developed nation status by the year 2020. This target, called Vision 2020, assumes an annual growth rate of above 7 per cent.

Once-sleepy Kuala Lumpur already has some monumental sights; the 88-storey Petronas Twin Towers, the tallest buildings in the world, are to open fully this year.

These monuments betray more than just the thrusting ambition of a relatively new nation, they are part of a strategy to instill a "can-do" spirit into a populace which still remembers the limitations of the colonial era. Some Malaysian commentators believe, however, that a growing sense of self-confidence has already spilled over into complacency.

Less welcome side effects of success are apparent. Traffic jams in some parts of Kuala Lumpur now rival those in Bangkok but, unlike the Thai capital, Malaysian cabs are more scarce. When cab drivers do stop, they frequently refuse to pick up passengers if the route does not suit them. The result is that scheduling more than three appointments a day is ambitious. Various metro systems under construction in the capital promise to alleviate the problem before the Commonwealth Games.

Corruption is on the rise, too. Last year, Dr Mahathir roundly criticised delegates to the triennial congress of the United Malays National Organisation (Umno), the dominant party in Malaysia's ruling Barisan Nasional coalition, for vote buying and other excesses. In April, the chief minister of Malaysia's wealthiest state, Selangor, resigned to spare his country disgrace should he be found guilty in a trial in Australia this year. Mr Muhammad Taib was detained at Brisbane airport last August after failing to declare the equivalent of A$1.26m he was carrying in cash.

But government feels that the answer to these and other "social ills" does not lie in slowing down the hectic rate of economic expansion. "Massive and rapid growth is a wonderful buffer. Like a river in flood, it hides the rocks on the river bed," Dr Mahathir says.

Some would say, however, that the flood obscures the rocks too well. A glut of offices, retail space, hotels and some types of luxury condominium is likely to emerge next year, economists say. Measures to cool property speculation imposed by the central bank, Bank Negara, caught stock market investors by surprise and triggered a significant sell off in April. Economists are debating the extent to which curbs on bank lending to property projects will affect the earnings of banks.

The country's growth has also raised tensions with neighbouring Singapore, whose economy it increasingly resembles. The rivalry can only intensify; both countries want to be the region's financial centre, both want to be its air and sea transport hub and each is vying to attract direct investment from leaders in information technology.

In the workplace, wages are climbing faster than productivity. If the trend continues, it could set back attempts to increase the value-added content in industrial processes. The all-important strategy of climbing the technology ladder could also be set back.

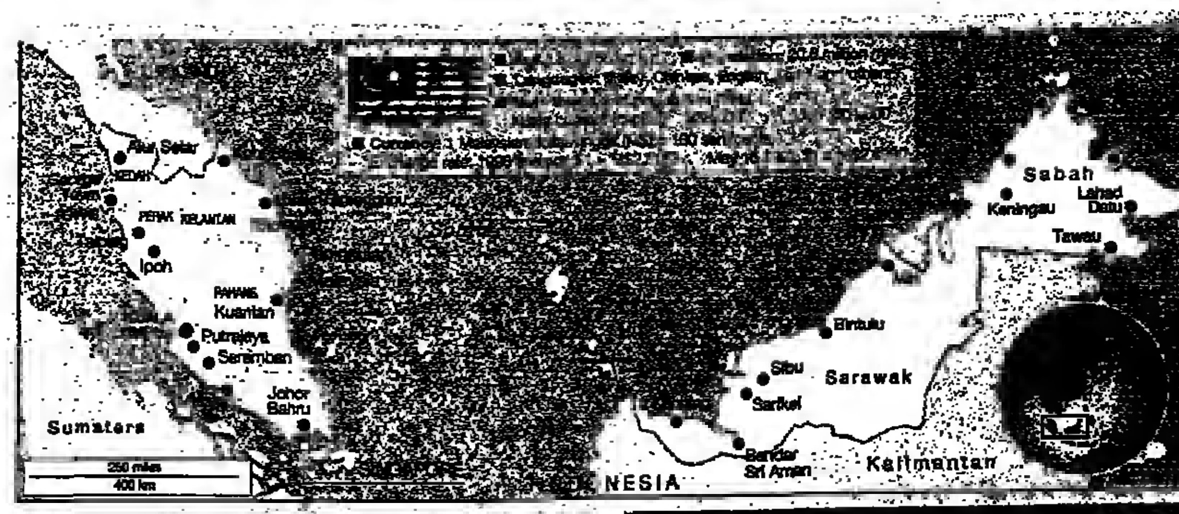
Offsetting this trend, however, is another initiative which gained prominence last year. Kuala Lumpur joined the ranks of international shoppers for overseas technology. Leading the drive was Khazanah, the government's investment arm, which bid for Fokker, the bankrupt Dutch aircraft maker, and was prepared to put up US$1bn to help a Malaysian company buy CEPA, a Hong Kong-based power concern. Both fell through, but there was one success. Proton, maker of the national car, acquired Lotus, the ailing UK sports car maker, in a deal which could lead to Proton developing its own engines.

At 71, Dr Mahathir is never far from the seminal events shaping his nation. He is more powerful now than at any time during his 16 years as leader. A significant opposition party, Semangat 46, returned to Umno last year, weakening somewhat – but not decisively – the hold of Parti Islam se-Malaysia in Kelantan, the only state still under opposition control.

Although the prime minister has designated Mr Anwar Ibrahim, the deputy prime minister and finance minister, as his successor, he shows no sign of retiring.

Dr Mahathir's Malaysia derives much from the energy, vision and politicking of Dr Mahathir. When such a personality leaves the stage, the character of the nation may change – with unknown consequences.

But for the time being, there is little which escapes the attention of the former physician from humble beginnings in Kedah, a northern Malaysian state.



Constitution

■ Form of state
Federated constitutional monarchy

■ The executive
The king appoints a prime minister and a cabinet on the advice of the prime minister

■ Head of state
The Yang di-Pertuan Agong (king or supreme sovereign) elected by the Conference of Rulers from one of the nine hereditary rulers

■ National legislature
Bicameral federal parliament.
The Senate (Dewan Negara) has 68 members, 26 of whom are elected from the state legislatures and 42 appointed by the king.
The House of Representatives (Dewan Rakyat) has 194 directly elected members.
The Senate has a six-year term of office and the House of Representatives a five-year term.

■ State government
There are state governments in each of the 13 states, in nine of which the heads of state are hereditary rulers. Each state has its own constitution. A Council of State or cabinet has executive authority in the state and each state has a legislature which legislates on matters not reserved for the federal parliament

■ National elections
April 24-25 1995; next election due by April 2000

■ National government
The Barisan Nasional, the governing coalition, the main component of which is the United Malays National Organisation (UMNO) Baru, won 164 of the 194 seats in the Dewan Rakyat in the 1995 general election.
The Barisan has the two-thirds majority required to pass constitutional amendments.
A new cabinet was announced in May 1995

■ Prime minister
Dr Mahathir Mohamed

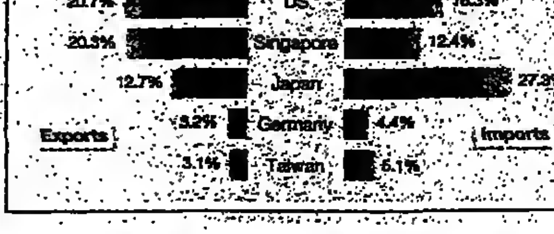
■ Main political organisations
Government-the main parties in the Barisan Nasional are
- UMNO Baru
- Malaysian Chinese Ass. (MCA)
- Malaysian Indian Congress (MIC)
- Gerakan
- Parti Pesaka Bumiputera Bersatu (PPBB)
- Sarawak National Party (SNAP).

Opposition
- Parti Islam se-Malaysia (PAS)
- Democratic Action Party (DAP)
- Parti Bersatu Sabah (PBS)

Economic summary

	1996 Estimate	1997 Forecast
Total GDP ($bn)	88.1	96.2
Real GDP growth (annual % change)	8.3	8.1
GDP per head ($)	4,269	4,545
Inflation, (annual % change in CPI)	3.5	3.3
Interest rates, three month (%)	7.3	7.1
Industrial production (annual % change)	12.1	8.0
Money supply, M2 (annual % change)	14.4	9.1
PSBR (% of GDP)	0.9	1.5
Government expenditure (% of GDP)	24.8	23.7
Total foreign debt (% of GDP)	37.5	37.3
Debt service ratio (% of GDP)	10.4	10.2
Current account balance ($bn)	-6.1	-5.6
Merchandise exports ($bn)	79.6	86.6
Merchandise imports ($bn)	-78.8	-85.1
Trade balance ($bn)	0.8	1.4

Main trading partners (share of total trade to world, 1995)



Source: EIU

MOTOR INDUSTRY • by Haig Simonian

Symbolic flexing of industrial muscles

Development of the national car programme faces challenges as tariffs are cut

Malaysia's vibrant car market has been a keystone in building south-east Asia into one of the three boom regions for the world's motor industry alongside South America and eastern Europe.

Nearly a decade of economic growth of 8 per cent or more has bolstered private incomes, making cars more affordable. Steady population growth, boosted by an influx of foreign workers, has expanded the motoring market. And new roads and infrastructure developments have made travelling by car easier and more enjoyable.

Vehicle sales climbed from less than 49,000 in 1987 to almost 365,000 last year, says Mr Francis Pereira, executive secretary of the Malaysian Motor Traders' Association. He expects the market to reach 410,000 units this year. "We have learned to play our forecasts safe. 1998 also looks good," he says.

Bar some minor changes, such bullish predictions could sit just as well in Poland or Peru. But there is one decisively different feature distinguishing Malaysia from the world's other fast-growing markets: the government's determination to develop a "national" motor industry behind a wall of high tariffs and taxes.

The policy, conceived in the early 1980s, has already achieved numerous objectives. Proton, Malaysia's first "national" carmaker, established in close alliance with Mitsubishi Motors of Japan, accounted for almost 64 per cent of the domestic passenger car market last year – an astonishing feat for a company within barely a decade of its birth. The reason Proton's share slipped from its peak of 74 per cent in 1993 was the arrival of Perodua, the second "national" brand, being built up behind the same protectionist barriers. Together, the two took an astonishing 81 per cent of passenger car sales in 1996.

Criticisms

Free-traders decry such favouritism as anti-competitive and an inefficient allocation of resources. On economies of scale alone, there is little justification for two carmakers in a country of about 18m, they argue. But defenders of the government policy, like Tengku Mahaleel Tengku Ariff, Proton's chief executive, claim protectionism is the only way a relatively small country such as Malaysia, can create its own motor industry.

"The national car programme should be seen in context," he argues. Multinational carmakers may today be "globalising" into new growth markets like south-east Asia. But such enthusiasm was not evident when Proton originated, he notes. The reasons for going it alone and establishing a company to do more than just assemble outdated Japanese models – as prevails in neighbouring Indonesia – are clear. Few manufacturing activities create as many jobs or as much wealth as motor cars. Apart from direct employment, they prompt thousands of jobs in subsidiary industries. Symbolically, too, an indigenous motor industry is an icon of an ambitious country's determination to flex its industrial muscles.

Proton's latest figures speak volumes about its achievements. Turnover soared by about 35 per cent to R4.96bn in the financial year ending March 31 1996: unit sales climbed by 23 per cent to 160,000; while pre-tax profits jumped to R436m from R314. Unit sales at Perodua, whose first model went on sale in 1994, climbed to 47,000 last year from nearly 40,000 in 1995.

Malaysia's other car companies, predominantly assemblers of completely knocked-down Japanese vehicles, have found the going tougher. That is hardly surprising given the "national" carmakers' protectionist advantages. A basic 1,300cc Proton Wira saloon costs less than R39,000 – R15,000-20,000 less than a locally-assembled Toyota Corolla with the same-capacity engine. Such acute price discrimination explains why many local assemblers do not bother to build direct competitors to the "national" brands.

But there is also a darker side to the national cars' success story. Two challenges will make life difficult for Proton, and perhaps impossible for Perodua, in the next few years, argues Ms Yvonne Chan, motor industry analyst at Jardine Fleming in Kuala Lumpur.

The first is the agreement among Asean countries to eliminate – or at least reduce – tariffs by 2003. The removal of the discriminatory tariff and tax breaks will create a level playing field, which will raise the competitive stakes.

Shorn of their huge price advantages, the "national" car companies will have to compete on their models and service. That explains Proton's race to develop a fully independent, up-to-date, car based on its own technology, explains Mr Saleh Sulong, chairman of the DRB-Hicom holding company which controls Proton.

The countdown to 2003 is even more ominous for Perodua. Its range is limited to the Kancil, a tiny Daihatsu-based hatchback, and the Rusa, an almost equally diminutive multi-purpose vehicle. But an expansion of its products appears highly unlikely in view of the government's reluctance to allow it to compete directly against Proton.

The second challenge for the national carmakers is to develop exports to soak up the substantial capacity being planned although absorption has not so far been a problem: the waiting list for some Proton models extends to six months, notes a leading auto analyst in Kuala Lumpur.

Proton is adding 50,000 units of capacity with the "medium volume" facility to be opened in July at its main Shah Alam plant. That will take its annual volume to 230,000 units a year. But output will really take off when "Proton City" – the company's moduler facility at Tanjung Malim – comes on stream in 2000. The first phase alone envisages 150,000 cars a year. Stage two will add another 100,000. From there, the plant could be expanded in modules of 250,000 units to 1m.

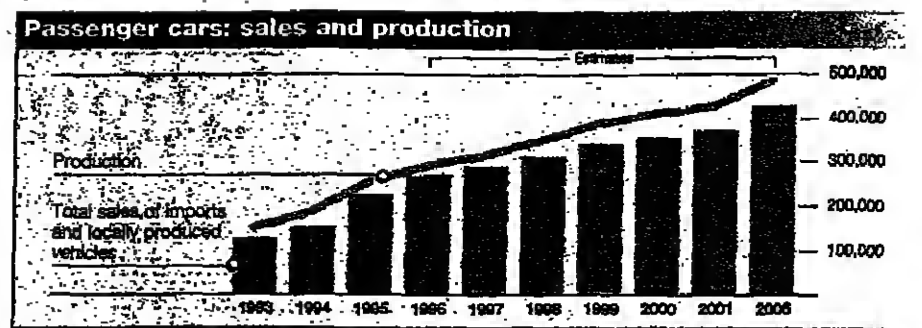
Mr Saleh admits Proton will have to look increasingly to exports to soak up the extra output. Perodua may face a similar dilemma: this month it opened a second production line to boost output. Overall production of cars and multi-purpose vehicles should double to 120,000 units by the end of this year.

Will enough foreigners buy the new vehicles? Barely 16 per cent of Proton's 1997 output is expected to be sold abroad – mainly to the UK.

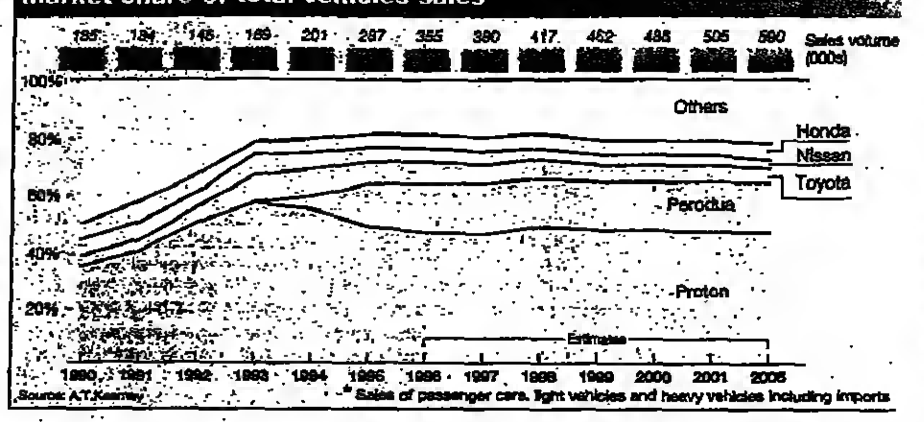
In the UK, its performance has been mixed, at best. The company made a strong start in the late 1980s, based on offering bland but low-priced hand-me-down Japanese technology. But it has since failed to match its peak year of 1992, when almost 15,000 cars were sold, as its budget niche has become increasingly crowded. Sales last year slumped to 9,600, Mr Tony Oliver, managing director of Proton Cars (UK), says the company aims to sell 13,000-14,000 cars in Britain this year.

Only by developing their own technology will Proton and Perodua be able to create a sufficiently strong identity outside Malaysia to stimulate exports.

Passenger cars: sales and production



Market share of total vehicles sales*



Source: A.T.Kearney
* Sales of passenger cars, light vehicles and heavy vehicles including imports

PROFILE Lotus

A strategic acquisition

The tribulations of Proton have demonstrated that, while it is one thing to have a "national" car policy, developing a truly "national" vehicle is another matter.

Last October's purchase by Proton of 80 per cent of Lotus, the UK sports car and automotive consultancy group, was designed to complete the process. Criticised by some Malaysians as being too high, the £51m price reflected the strategic importance of Lotus for Proton.

For the company, Lotus will provide the technical expertise to make the "quantum leap" into developing an indigenous car, says Tengku Mahaleel Tengku Ariff, Proton's chief executive.

The emphasis now is to use Lotus to accelerate Proton's plans to break away from Mitsubishi Motor, the Japanese carmaker on which almost all its technology is based.

Proton had already been moving in this direction. A technology transfer deal with Citroën of France to build the Tiara, a version of the Citroën's AX hatchback, increased its room for manoeuvre. And the company is also considering linking with a US carmaker to broaden its technology base, says Mr Saleh Sulong, chairman of the DRB-Hicom group which controls Proton.

But Lotus is the centrepiece of Proton's plans. Last November, Dr Mahathir Mohamad, the prime minister, laid the foundation stone at Lotus's Norfolk headquarters for a £7m "body in white" prototype development and engineering centre. The facility, which should boost Lotus's ability to develop entire cars, rather than just engine technology, its forte, is crucial to Proton's plans.

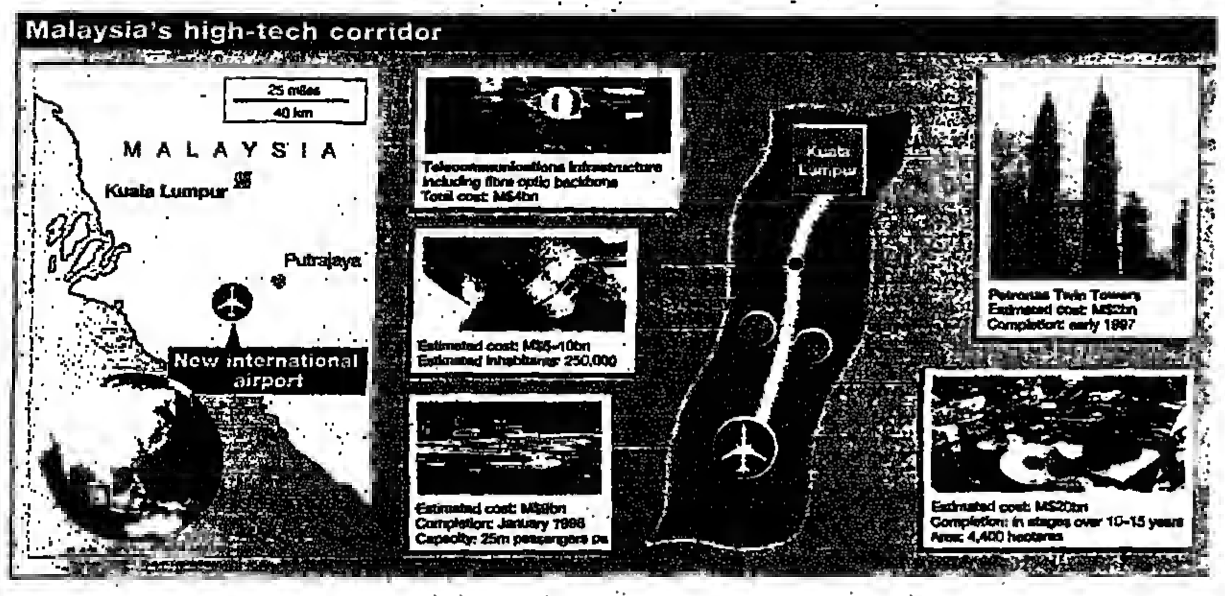
The centre, which will employ about 150 engineers, will be equipped with the latest computer-aided design facilities to develop car bodies and build prototypes. Without Lotus, "to do body engineering takes you 10 years", says Tengku Mahaleel. But even after the centre opens next April, Mr Saleh admits Proton will still depend on imported technology for its engines. It will not be until the early years of next century that Proton will be able to install its own engine and gearbox – the all important powertrain – into its new car, he says. Lotus will be central in the engine too with 1,200 specialist engineers, some of the biggest test facilities in Europe and a long history in engine development.

Designing indigenous versions of some important components has helped Proton to raise the local content of its vehicles, and to reduce the heavy royalty payments to Mitsubishi Motor and other Japanese suppliers. Lotus may also play a crucial role in marketing. The company's international familiarity would help in sales and advertising. Proton's first independent model is likely to feature Lotus's role heavily.

However, Proton must strike a delicate balance in how prominently it markets its links with Lotus as it may antagonise the UK company's other clients.

The takeover has already caused the loss of business from Daewoo, the South Korean carmaker which lost in the bidding process. Proton must convince clients that the "Chinese Walls" at Lotus will remain impermeable, in spite of being owned by a potential rival car company.

Malaysia's high-tech corridor



MULTIMEDIA SUPER CORRIDOR • by James Kynge

Flocking to the cybercity

South East Asia's version of Silicon Valley is the top industrial priority for Dr Mahathir

The career of Mr Othman Yeop Abdullah provides a telling commentary on Malaysia's remarkable economic transformation. Until last year he was a senior official in the ministry taking care of rubber and palm oil production. Now he is executive chairman of the Multimedia Development Corporation, the state company in the van of the nation's charge into the information age. He describes his ascent, with a chuckle, as a "leap-frog".

For the time being, Mr Othman occupies an unassuming office one floor above the National Rubber Museum. But later this year his company will move into the sparkling, 88-storey Petronas Twin Towers, the tallest buildings in the world. The towers form one end of a 750 sq km zone which has been designated as the "multimedia super corridor" (MSC) – which Malaysia hopes will become its version of California's Silicon Valley.

The MSC is the country's top industrial priority, the mother of all mega-projects. At the opposite end of the corridor from the Petronas Twin Towers is the new Kuala Lumpur International Airport (estimated cost M$8.5bn), which will be able to handle 25m passengers annually when it opens in early 1998.

Within the corridor, two cities are taking shape on green-field sites. One, Putrajaya, is envisioned as a "paperless" administrative capital with a population of about 570,000. By the time it is completed in 2005, it will have cost an estimated M$20bn. Dr Mahathir Mohamad, the prime minister and prime driving force behind the MSC, plans to be ensconced in his offices in Putrajaya in September 1998, in time for the Commonwealth Games.

The other city, to be situated next to Putrajaya and about 25km south of Kuala Lumpur, is to be called Cyberjaya and will be constructed at a cost of at least M$10bn. It is intended as a place for foreign and local experts in information technology to live and work. There will be glitzy commercial districts, hotels with palm-fringed swimming pools and several research centres.

The airport, the two cities and the twin towers will be connected to a fibre-optic telecommunications backbone which will cost Telekom Malaysia, the country's biggest telecoms operator, around M$4-5bn to install.

"We are aiming to create a multimedia utopia for knowledge workers by developing the ideal environment to generate creativity," says Mr Othman. He acknowledges, however, that attracting some of the world's best information technology talents to Malaysia may not be easy. The IT talent which comes to Malaysia is just as likely to originate from Bangalore, India or eastern European countries, as from the West, say analysts.

Big names

Yet, the scepticism which greeted the unveiling of the MSC plan last year is melting away. Around 30 of the biggest names in global IT – including Microsoft, British Telecom, IBM, Sony, Oracle, Sun Microsystems, Compaq, Siemens, Apple Computer, Motorola and Netscape – have agreed to be on an advisory panel chaired by Dr Mahathir.

The panel, through consultations with Dr Mahathir, is being accorded the unprecedented power to help design key features of the MSC. Malaysian officials openly admit that they need to "listen to the experts" in order to be sure of creating a conducive infrastructural, legal and financial environment. Commitment and flexibility have become the MSC's chief competitive advantage.

"This is the most impressive proposition that I have seen on a worldwide basis [for locating research and development operations]," says Mr Raymond Lane, a senior executive at Oracle.

Companies which win MSC status (bestowed by Mr Othman's company) are to qualify for the most attractive package of investment incentives that Malaysia has ever offered. They would get 10-year tax holidays, be allowed to employ an unlimited number of foreign staff and, in an unprecedented step, be permitted to be fully owned by foreigners.

Under a "bill of guarantees", the government also commits to becoming a regional leader in intellectual property protection and the implementation of cyber-laws. The bill promises freedom from censorship for material on the Internet but this does not extend to other forms of media within the MSC.

But perhaps the main pull for potential investors is a desire to win some of the many infrastructure contracts on offer. There is a quid pro quo – to stand a chance of landing an infrastructure contract, a company not only has to attain MSC status but also has to pledge to use the MSC as a regional centre.

Nippon Telegraph and Telephone, the Japanese telecoms giant, was the first company to land an infrastructure contract. It announced this month that it will take a 15 per cent stake in Cyberview, the company charged with developing Cyberjaya. It plans to set up an R and D laboratory and has won a contract to lay fibre optic telecoms lines. Shell, the oil company, plans to set up a research centre. Reuters, the UK-based media giant, is also considering basing some operations in the MSC.

KUB Malaysia, a large conglomerate, which plans to list on the stock market in July, intends to set up a "virtual university" based on the Internet, and enter several other areas of information technology in the corridor. "This is one of our main priorities. The MSC is the future of Malaysia," says Mr Hassan Harun, KUB's executive chairman.

The presence of Putrajaya, which will pioneer an almost completely computerised form of government, will also provide a ready demand not only for hardware, software and a range of peripherals but for IT engineers, designers, salesmen, marketing executives, smart card manufacturers, cyberlawyers and others.

Some foreign companies, however, are sitting on the fence. While they have publicly expressed a keen desire to participate, they remain more circumspect in private. "The Malaysians are saying we have made a firm commitment and we are happy to let them say that but, in fact, we are still waiting to see what the others do," said a senior executive in one foreign media company.

For Malaysia, of course, the ultimate aim of the MSC is not to serve foreign investors but to transform the domestic economy. The government has allocated to the Multimedia Development Corporation some 20 per cent of M$1.2bn earmarked by the federal government for R and D spending during the 1996-2000 period. The company is empowered to make available R and D funds to MSC companies which are more than 51 per cent Malaysian owned. Foreign venture capital companies, including 3i, the UK company, are also studying opportunities afforded by the MSC.

A crucial strand in the overall strategy is the planned launch in the last quarter of this year of MESDAQ, a stock exchange designed to list small, high-tech companies which show promise but have no track record. "We have seen in other countries that a stock exchange such as Nasdaq is a vital ingredient for start-up," says Mr Othman.

FOREIGN POLICY AND POLITICS • by James Kynge

Premier is the chief marketeer

Visits abroad are focused on wooing foreign investors and capital

Anwar Ibrahim: leading candidate to succeed

Dr Mahathir: no signs of wanting to step down

Business and politics are so closely intertwined in Malaysia that it seems only natural that the prime minister should also be the country's chief marketeer. Abroad, as at home, Dr Mahathir likes to have clear and concrete goals. He tends to eschew overseas trips with a primarily symbolic significance and spends more time on "working visits" selling Malaysia to foreign investors and smoothing the way for local companies to break into overseas markets.

Recent examples have included the considerable role to be played in putting YTL Corp, a local power company, into a leading position to acquire a 51 per cent stake in Zimbabwe's state-owned Hwange power plant. Officials said that Dr Mahathir's close relations with Mr Robert Mugabe, the Zimbabwean president, helped YTL emerge as the leading contender for the $580m deal, despite keen competition from many Western companies.

His close contacts with Mr Nelson Mandela, the South African president, have also helped expedite considerable investments in that country by Telekom Malaysia, the former telecoms monopoly, and Petronas, the state oil and gas company. Dr Mahathir has also focused on Burma, Cambodia and Vietnam. China, where several Malaysian companies have encountered difficulties, appears to have taken a back seat.

But the prime minister has expended his greatest effort in wooing foreign investment or capital to Malaysia. Part of the motivation for his trips to the Middle East is to sell Malaysian Islamic financial services to the Arabs. His latest trips to Japan and North America have been dominated by attempts to drum up investment from IT companies in the multimedia super-corridor.

These trips present opportunities for Mr Anwar Ibrahim, the deputy prime minister and Dr Mahathir's heir apparent, to practise running the country. But it has become almost axiomatic that every time the prime minister is abroad, some scandal or incident emerges at home.

For much of last year, such incidents appeared to paint the prime minister in an unfavourable light, leading to speculation that they were being engineered by the ambitious Mr Anwar. There was a court ruling (later annulled) which found that the huge Bakun dam project in Borneo, one of Dr Mahathir's favoured schemes, had broken environmental laws. There was also an announcement that Perwaja, a state steel company which Dr Mahathir had lionised, was insolvent and would be investigated for corruption. But later, it was Mr Anwar's turn to be embarrassed. He was caretaking when a human rights conference on East Timor, a disputed territory in Indonesia, was brought to a violent conclusion by activists in the youth wing of the dominant political party, the United Malays National Organisation (Umno). As Mr Anwar is generally seen as more liberal toward human rights campaigners than the prime minister, the furore over East Timor reflected badly on him.

The rivalry between Dr Mahathir and his deputy is the single largest source of political speculation in Malaysia. Opinions on whether Mr Anwar will take over swing wildly from month to month. The deputy prime minister is still undoubtedly the leading candidate to succeed but he may have to wait some time. Dr Mahathir, at 71, shows no sign of wanting to step down.

He is at the height of his power. Never in his 16 years as prime minister has Umno and the country been so firmly behind him, say observers. A former opposition party, Semengat 46, rejoined Umno last year, breaking a coalition it had formed with Parti Islam se-Malaysia in the north eastern state of Kelantan, the only state in opposition hands.

Confidence

The security of the prime minister is also seen by the fact that he feels able to go abroad on leave for two months from May 20. He will return just in time for the 30th anniversary meetings of the Association of South East Asian Nations, the seven nations which comprise the region's most influential group. Asean has made an internal decision to admit three new members, Burma, Cambodia and Laos, to the group in July, barring some unforeseen complication, say Asean officials.

For a man who clearly relishes the walking the international stage, the Asean meeting will be a chance to project Malaysia's position as one of the region's leading nations. However, there have been signs of late that Asean's vaunted unity has been strained. Remarks this year by Mr Lee Kuan Yew, Singapore's founding prime minister and still a powerful member of the city-state's cabinet, touched off the worst bilateral row with Malaysia since the two nations split in 1965.

Mr Lee described the southern Malaysian state of Johor as "notorious for shootings, muggings and car-jackings". In retaliation, members of Umno's youth wing paraded with placards describing Mr Lee in insulting language never heard in the respectful atmosphere of Asean.

Malaysia's cabinet also decided to freeze all new dealings with Singapore in March but gradually reversed this decision afterwards. The foreign ministry has said that it will taka some time before relations regain their former level.

But if Asean's unity was jeopardised by the spat with Singapore, it risks encountering further divisive pressures after Burma is admitted to the fold. Some Asean countries are concerned over Western opposition to Rangoon's military regime and fear that Asean as a group could jeopardise a working relationship with the West and Japan. Diplomats said that others within the group are concerned over Rangoon's close ties with China. They feel that such ties may undermine the group's ability to form a unified response to China's encroachment into the disputed Spratley islands in the South China Sea.

ECONOMY • by James Kynge

Fatigue on road to growth

Large parts of the economy remain buoyant but some worrying signs are now evident

"To be honest, it is a headache," said a senior civil servant. "The PM is relentless. He wants everything done yesterday. It may be good for the country but it is bad for my health."

Such sentiments are not uncommon in Malaysia as it enters what appears likely to be a 10th year of growth at above 8 per cent. The time spent travelling the economic high road has taken its toll. People are tired. But there is no sign of a restful cul-de-sac in sight.

"Having succeeded so well, so quickly and so resoundingly, this is not the time to falter, to call a halt. Now is not the time to stop our massiva economic momentum," Dr Mahathir Mohamad, the prime minister says.

The go-for-growth policy which tha prime minister espouses raises important questions about the quality of the economic expansion. The Seventh Malaysia Plan, covering the years between 1996-2000, stresses the importance of productivity.

It says that during the five-year period, productivity gains should contribute 43 per cent of growth, compared with 28.7 per cent in the pravious five-year period. This strategy is aimed at increasing afficiency and weaning Malaysia off growth driven simply by more inputs of capital.

But there is little evidence that the productivity plan is working. Overall productivity gains were 5.7 per cent in 1996, down from 6.6 per cent in 1995, official figures show. The sectors which registered the largest contraction in productivity gains were manufacturing and construction. But wages rose at a faster rate, with average real wages in the manufacturing sector climbing at 8.9 per cent.

Economists say that underlying the figures is a preference among employers for hiring cheap immigrant labour rather than increasing efficiency by using information technology, or automating more production processes. The number of immigrant workers in the country is officially put at 2m, or about 25 per cent of the workforce. Wages are rising faster than productivity partly because in a situation of full employment bosses have little bargaining power in wage disputes.

But would Malaysia be willing to reduce its dependence on foreign workers and try instead to secure productivity gains? Not for the moment at least.

"If we do not have enough peopla to do the jobs, then we must allow them to come from abroad in the medium term," said a senior official.

The main reason for the go-for-growth doctrine, economists say, is that the next few years are crucial in the country's industrial development.

A buoyant local stock market is important, too, to these ambitions, which call for big infrastructure developments. Bank Negara, the central bank, estimates that of M$1,500bn in projected capital outlays until the year 2005, some M$450bn will have to be raised from the capital markets. The stock market has traditionally been the main source of such financing.

If growth starts to falter, the stock market may also slide and private investment could fall. Many of the companies which plan to build parts of the multimedia super corridor, a key information technology project, are planning on raising equity finance.

There are already predictions of a property glut. Offices, retail space, hotels and some types of luxury condominiums are expected to be in oversupply by sometime next year. According to one respected property consultant, Mr Ravindra Dass, there will be an increase in office space of 34.7m sq ft by 1998, almost doubling the amount currently available. This compares with an annual take-up rate of less than 3m sq ft annually.

Measures announced by Bank Negara on March 28 to curb property speculation should prevent Malaysia from following in the footsteps of its badly-hit neighbour, Thailand, but they may not be sufficient to prevent the glut materialising.

"Malaysia is entering a phase of consolidation," said Mr Neil Saker, regional economist for SocGen-Crosby in Singapors. "Domestic private investment may start to come off later this year."

But for every analyst who is pessimistic over Malaysia's economic future, there appear to be an equal number who are not. "What foreigners do not understand is that everything in tba Malaysian economy is managed," said the chairman of a large local finance company. "If there is an economic slowdown the government can tell companies to invest more."

Indeed, many areas of the economy are in radiant health. Signs of overheating last year forced the government to tighten liquidity in the capital market while public expenditure was slowed down, mainly by spreading out imports of capital and intermediate goods over a longer period. Such measures had the desired effect. The current account deficit of M$18.7bn in 1995 – or a worrisome 9 per cent of gross national product – narrowed to M$13bn, or 5.5 per cent of GNP. An important ingredient in this was the depreciation of the Japanese yen, which made Malaysia's import bill much cheaper.

Foreign investment has remained buoyant, largely owing to the vibrancy of the electronics sector. In recent months a pattern has emerged, whereby some electronics companies based in Singapore are starting to move the production of less sophisticated products from the city state to Malaysia. The latest example was Seagate International, the world's largest disk drive manufacturer, which is considering moving production of some disk drives for portable computers into Malaysia.

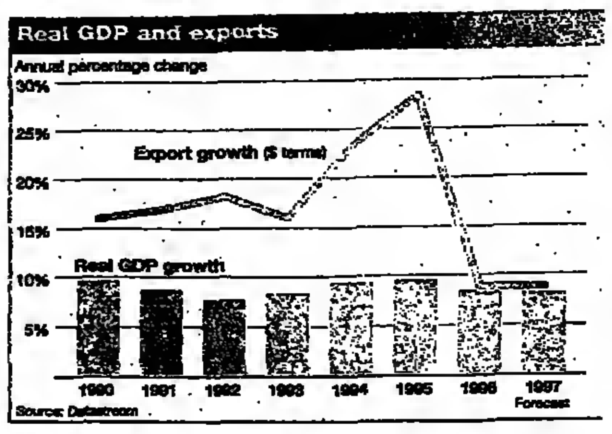
Such a move points up an intensifying economic rivalry between Malaysia and Singapore, which is a more costly manufacturing base but has a more efficient and sophisticated workforce.

At the moment, Singapore holds the lead but Malaysia's challenge has just begun. The new Kuala Lumpur International Airport, to open in early 1998, provides a taste of what is to come. Able to handle 25m passengers annually, the airport is being designed to surpass Singapore's Changi – generally regarded as the best in the world – for facilities.

"This airport could attract a lot of people who do not even intend to travel," says Mr Khairuddin Ibrahim, managing director of Malaysia Airports.

It will feature a cinema and virtual reality centre, and rooms for teleconferencing, using the Internet and meeting clients, as well as 80 day rooms Some 26,000 sq metres of commercial space is to be put out to tender abortly – at a rental price which undercuts Changi.

Real GDP and exports



Source: Datastream

TOURISM • by Haig Simonian

Veronica Garbutt

Tourism authorities are trying to add value to tropical destinations

Cultivating a diverse new image

Marketing areas with versatile attractions is not always as easy as it may seem

From the glitzy shopping centres of Kuala Lumpur to the golden beaches of the east and west coasts, Malaysia's tourist potential is as diverse as the country itself.

The richness of natural resources is underscored by Malaysia's ethnic mix. For culture, history or gastronomy, the country offers an almost unparalleled potpourri for visitors.

But tourism is also an earner, and the government wants to build on the mixture of geography, culture and race to develop the industry. Tourist arrivals rose almost 4 per cent to 7.4m in 1995, the latest full year for which figures are available, while spending climbed by 10.6 per cent to M$9.2bn. But while domestic and regional tourism has remained strong, the focus is on attracting more long-haul travellers from Europe and Australia to further the government's aim of taking tourist arrivals to 12.5m and receipts to Rm15.7bn by 2000.

A number of high-profile schemes has been hatched to get there. Next year's Commonwealth Games have prompted the construction of impressive sports facilities. Meanwbile, about 30,000 builders are working around the clock to ensure Knala Lumpur's new international airport will open on January 1 to meet the expected inflow of visitors. Next door to the buge airport, a Formula 1 motor racing circuit is planned to raise Malaysia's international profile still further.

The facilities sbould boost tourism from outside the Asean region, which now accounts for the majority of visitors. Long-haul travellers not only tend to stay longer, they also spend more. But unlike many visitors from within the region, they tend to make straight for the beach.

Tbe government wonld like larger numbers to sample Langkawi, a resort island off the north-west tip of Malaysia, which has been targetted for development. The island, which is about the size of Singapore, was little known nutside Malaysia until the prime minister – who worked there as a doctor – encouraged tourism.

The island has all that can be expected of a tropical paradise, with abundant long sandy beaches, palms and mangrove trees. Should natural beauty not be enough, the government has declared the island a duty free zone. The measure helped to prompt a hotel building boom, which the authorities hope will make Langkawi as popular as Bali.

The fact that has not happened has many causes. Many of the island's hoteis and resorts are pitching very high: the Tanjung Rhu, a 138-room sanctuary on a 2.5km sand spit on the north coast, is a hedonist's dream. The hotel, complete with 280 staff and a 1,100 acres, aven boasts six Daimlers (and a Jaguar just in case) for airport transfers. The nearby Datai, one of the exclusive Aman chain of small luxury hotels, is similar.

Mr I Z Melvin, Tanjung Rhu's general manager, says the limousines can barely cope during the civil and military air and marine show held on Langkawi in December every other year. Demand is also strong during the annual motor show.

Securing visitors at other times is harder. Matters have not been helped by the growth in capacity, with six new hotels opening in the past two and a half years alona. A turning point may come with the expansion of Langkawi's airport for international flights. Better marketing, possibly through the public-private Langkawi Development Authority, should also help.

Malaysia's other beach resorts have been overshadowed by the government's stress on Langkawi. That is partly deliberate. Penang, the west coast resort which outshone Bali at a time when Thailand's Phuket was still a twinkle in the property developer's eye, has suffered from unchecked development. The government hopes not to make the same mistakes with Langkawi.

Elsewhere, visitors' provenance largely dictates their destinations. Kuala Lumpur's glitzy new retail malls tend to attract Asian tourists, notably from Singapore and Indonesia.

Shopping in sonth-east Asia used to be synonymous with Singapore. But the rise in the Singapore dollar and depreciation of the ringgit have made Kuala Lumpur more competitive. The new malls in the central "golden triangle" business district have added to Kuala Lumpur's appeal, meaning tha city no longer feels so overshadowed by its southern neighbour. But visitors from Asean, who comprise tha majority of Malaysia's foreign tourists, have two other favoured destinations.

Many head for the Genting highlands, the closest resort to Kuala Lumpur in Malayaia'a cooler central region. Genting makes no claims as an ersatz British hill station. That is the role of the Cameron Highlanda further north. Its draw is gambling. For Singaporeans bungry for the spin of the wheel – gambling is banned in the city state – Genting is a magnet. Malaysians flock there, too, although they are enticed as much by its boating lake and other family attractions as the croupier's cry.

But irrespective of destination, the emphasis in Malaysian tourism now is on better marketing to raise numbers and extend visitors' stays. The problem is that Malaysia's diveraity – its greatest strength – is also something of a weakness in getting its message across.

Generic advertising, using pictures of idyllic beaches or eco-friendly rain forests with tha word Malaysia underneath, is being dropped in favour of more targetted campaigns focusing on specific attractions, says Mr Roslan Ali of Tourism Malaysia, the government's tourist promotion agency. The aim is to move to "destinational" marketing rather than presenting a singla image for Malaysia, he says. Identifying competitive advantages – such as culture and history in Melaka, or unspoilt natural beauty in the national parks or East Malaysia – should distinguish the country from other regional destinations, such as Thailand or Indonesia, offering much the same.

Heavier marketing is also planned for Langkawi.

FINANCIAL MARKETS AND BANKING • by James Kynge

Battle is on for the hub role

A large and liquid stock market is central to Kuala Lumpur's wider ambitions

"When I first heard that Malaysia wanted to be the regional financial centre, I admit it, I laughed," said one foreign consultant in Kuala Lumpur. "But now I really think it might be possible, in the long term."

Economic competition with Singapore is intensifying across a number of fronts, including in the field of financial markets. At the moment the city-state, which was kicked out of a two-year union with Malaysia in 1965, is undoubtedly south-east Asia's pre-eminent financial hub. Situated at the southern tip of the Malaysian peninsula, it is home to 220 international banks. The Singapore International Monetary Exchange (Simex) is unrivalled in Asia, trading 19 derivatives contracts based on overseas financial instruments.

Malaysia, however, has been reforming and liberalising at a steady pace. While Singapore has focused on creating opportunities based on offshore financial instruments and denominated in foreign currencies, Malaysia is south-east Asia's pioneer in creating a multi-faceted financial system based on a domestic currency, the ringgit (M$).

The Kuala Lumpur Options and Financial Futures Exchange (Kloffe), launched in December 1995, trades the region's first stock index futures contract to be based on a domestic stock index and denominated in a domestic currency. The Malaysian Monetary Exchange (MME), launched last year, provides an interest rate futures contract with which to hedge exposure to the ringgit. Authorities in Kuala Lumpur also have firm plans to launch late this year, or early next, a stock exchange to accommodate listings of high-technology companies with good prospects but no earnings track record. Called Mesdaq, the exchange is also expected to be the first of its kind in the region.

The key to Malaysia's liberalising urge has been a willingness to allow the gradual internationalisation of the ringgit. Singapore has resisted such a trend because the exchange rate is a vital tool in controlling inflation in the city state, where about 70 per cent of goods are imported. Malaysia's economy has a deeper domestic base, providing authorities with some leeway for reform.

While trade on the MME has been somewhat lacklustre, the Kloffe futures contract on the Kuala Lumpur Stock Exchange's Composite index is beginning to make significant headway. Driven partly by the requirement of market players to hedge their risk in a recently falling market, average daily turnover in April rose to over 850 lots, up from 523 lots in March, said Mr John Duggan, Kloffe's chief executive officer.

"The increase in volume is encouraging. We are seeing a lot of interest from Malaysian retail clients and foreign players are also in there," says Mr Duggan, who regards a daily average of 1,200 contracts as a comfortable level of liquidity for the medium term.

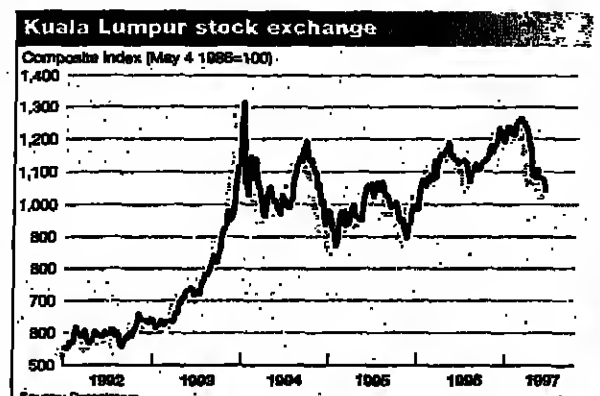
Malaysian institutional investors, however, remain somewhat slow to use the contracts, partly because of a residual scepticism bred from the collapse of Barings Bank in 1995 through derivatives losses on Singapore's Simex. But, Mr Duggan says, such institutions will be left with no choice but to hedge their exposure to the cash market when it becomes clear to investors that the funds they manage have underperformed. "There is nothing like a falling (stock) market to concentrate the mind," he says.

Kloffe has plans to launch call and put options on the index futures soon, opening the way for arbitrage between the options and futures contracts. At the end of this year, it hopes to launch options on individual shares, another instrument which Mr Duggan believes will be attractive to investors.

The trump card in Malaysia's drive to be a financial centre is undoubtedly its large and liquid stock market. It is the fourth largest in Asia after Tokyo, Osaka and Hong Kong, and had been growing apace. A record 92 companies listed on the bourse last year, contributing to a 43 per cent increase in market capitalisation to M$807bn at the end of 1996. So far this year it has fallen back, in line with negative sentiment which has affected the whole region.

Kuala Lumpur stock exchange

Composite Index (May 4 1986=100)



Source: Datastream

Mr Munir Majid, chairman of the Securities Commission, oversees a process of constant reform and fine-tuning which is aimed at creating a world class stock market. Ahead of the industry's planned move to full disclosure by 2001, Mr Munir has his sights trained on making companies more accountable to their shareholders and more transparent.

"We are mindful of the fact that the language of company prospectuses are not necessarily understandable," said Mr Munir. "We have to make these more digestable."

The commission is also pushing hard on disclosure. Sharp letters are issued to companies which leak announcements to the media before informing the Securities Commission. But there is no question that insider trading does happen; stock prices often start gyrating well before company news is released.

"We know insider trading happens. It is just difficult to find enough evidence," said Mr Nik Mohamed Din, executive chairman of the Kuala Lumpur Stock Exchange.

This month, the commission announced wide-ranging revisions aimed at liberalising guidelines on unit-trust funds. Whereas investment in foreign securities by unit trusts was limited to 10 per cent of the fund's net asset value, there will henceforth be no limit. Unit trust management would also now be open to any company in the financial services industry, as opposed to selected companies previously.

The authorities have also shown the first signs of opening the stock market up to listings by foreign companies, announcing recently that Malaysian-owned foreign based firms would be allowed to list. Such a move opens the way for companies such as Lotus, the UK sports car maker acquired by Proton last year, to list in Kuala Lumpur – should it decide to do so.

In an unprecedented liberalisation, wholly-owned foreign companies are to be allowed to float their shares on Mesdaq, the new exchange for high-tech companies. But there are other criteria; companies should invest within Malaysia 70 per cent of the funds they raise from a Mesdaq flotation.

"We have received a lot of regional interest in the [Mesdaq] market, from people in Singapore, Taiwan, Hong Kong. We think that if we can get it right it will be a very exciting regional market," said Mr Munir.

But one area of the capital markets which remains becalmed, not to say inactive, is the domestic bond market. Year after year of budget surpluses has naturally limited the government's interest in bonds. But later this year, Khazanah, the state holding company, is expected to issue – not because it really needs the funds but because the local bond market badly needs a benchmark upon which to create a yield curve.

Such a yield curve would be likely to enhance trading in other interest rate contracts, such as the three-month Klibor futures on the MME. It would provide a boost to the interest rate swap business, which is just starting to take root on an over-the-counter basis between financial institutions and their corporate clients, bankers said.

In the banking sector, however, it is clear that almost a decade of rapid growth has stunted the urge to innovate and enhance sophistication. There are exceptions, but many of the 23 domestic banks in Malaysia tend to rely on a wide spread between their lending and borrowing business to bring in profits. While loans growth has been healthy, there has been little perceived need to take undue risk or to find ways to manage risks taken.

Such passivity has incurred the ire of Dr Mahathir Mohamad, the prime minister. If banks are to support the rapid ascent up the technology ladder which the prime minister has in mind, they will need to start taking risks.

"Bankers who want to be certain always, who will take no risk at all, will become pure money-lenders. I don't think that you want to be that," Dr Mahathir said in a chiding speech to the industry last year which has since become a reference.

The concern of Malaysia's economic policymakers is not only that local banks are ill-equipped to meet the demands of Malaysian companies but also that they may not be able to survive the advent of increased foreign competition when the industry liberalises, expected in the first few years of next century. For this reason, authorities are pushing the larger banks to merge with their smaller counterparts.

It is significant that the nation's top five local banks, Maybank, Bank Bumiputra, Public Bank, AMMB Holdings and DCB Bank, have a combined market share of about 50 per cent. A further 27 per cent share is fragmented among the other 18 local banks and foreign banks have 23 per cent. The smaller banks are unable to achieve economies of scale and often lack the resources for the large investments needed for information technology.

But the country's economic buoyancy, plus an enjoyment of the prestige which comes from owning a bank, have conspired to frustrate strenuous efforts by the central bank, Bank Negara, to force mergers.

There has been, however, one significant success. The nation's leading brokerage house, Rashid Hussain, announced plans late last year to create what could become the nation's most comprehensive "financial supermarket".

In a deal which betrayed signs of some government orchestration, the brokerage was to acquire the profitable Kwong Yik Bank, a subsidiary of Maybank. Kwong Yik was then to be injected into DCB Holdings, in which Rashid Hussain already had a 20 per cent stake.

The resulting group, which will be the second largest financial corporation by profits, will offer a complete range of products including retail banking, merchant banking, leasing, insurance and stockbroking. The group is expected to be formed around June this year.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Allied Domecq	♣	458	6.9	23.58	1.4	Feb Jul	2.12	1558
Bulmer (HP)	♣†	695		19.59	2.5	Feb Sep	13.1	2865
Burn St Dist	♣	57xd	-2.6	3.4	1.3	May Nov	7.4	1516
Glenmorangie A	†	945	2.2	12.27	3.0	Jan Jul	9.12	3257
B	†	1070		6.14	3.0	Jan Jul	9.12	–
Grand Met	♣♣†	508	10.3	16.3	1.9	Apr Oct	6.1	2730
Guinness	♣♣†	508xd	9.8	16.1	2.2	May Nov	1.4	2781
Highland	♣†	125xd	1.5	8.4	2.5	Jan Jun	8.5	2880
5½pc Cnv Bds		98		–	–	–	31.1	–
Kirin Y		9224	6.1	024%	–	Sep Mar	25.12	1119
Matthew Clark	♣‡	270½	0.7	24.9	0.9	Apr Oct	3.2	2103
Merrydown	♣†	72½	-19.8	4.8	1.6	Jan Oct	16.12	3062
Seagram C$		923½	0.1	066c	–	MrJeSeDe	28.11	–

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
BG	♣W	190xd	7.8	14.5	8.7	Jul Dec	8.5	2848
Centrica		63½	4.5	–	–	–	–	2661
International Energy	♣	86xd	2.1	4.45	2.3	Jan Nov	8.5	5123

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind R		£25	—	Q545c	ф	May Oct	2.9	–
Barlow	♣	[illegible]	–4	Q105c	3.2	Jan Jul	9.12	–
Gold Flds Prop R	†	[illegible]	–3.9	Q85c	1.5	Feb Sep	[illegible]	–
SA Brews		[illegible]	–3.2	[illegible]	ф	Jul Feb	2.12	8113
Standard Bank		[illegible]	0.0	[illegible]	3.1	Sep Mar	–	–
Tiger Oats	†	1027	–2.7	[illegible]	2.6	Jan Jul	10.6	–
Tongaat-Hulett		795♣	–1.7	[illegible]	ф	Jan Jun	9.12	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of *Financial Times Information*.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. *Prices and net dividends are in pence unless otherwise indicated.*

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on *Tuesdays-Saturdays* except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 21.(a)(v) Overseas incorporated companies listed on an *approved exchange*.
- ♣ Free annual/interim report available, see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ✝ Merger bid or reorganisation in progress
- $ Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on *prospectus or other* official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s *Dividend excludes a* special payment. t *Indicated dividend: cover relates to* previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. *F Dividend based on* prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a *FID (Foreign Income Dividend)*. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: M&G High Income Capital (ITSC). Deletions: M&G Dual Inc, Do Cap, M&G Equity Dividend (ITSC), OGC Intl (OIE).**

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK: Pvt Advisers 0800 414151 — Jersey: 01534 71696
Private Clients 0800 414161 — 00 352 250404200
From O'seas (44) 1732 777377 — Hong Kong (852) 848 1000

	Selling Price	Buying Price	Yield Gr's	City-Line
A$ Accum	A$19.681		4.20	40807
ASch Accum	Sch251.79		2.10	47044
C$ Accum	C$18.010		2.80	40941
DM Accum	DM35.744		2.00	41220
DFl Accum	Dfl31.874		1.90	40855
ECU Accum	Ecu13.719		2.80	41200
FFr Accum	FFr87.846		2.10	41202
HK$ Accum	HK$124.17		4.70	41318
Lire Accum	L24472		0.10	41386
NZ$ Accum	NZ$41.453		5.60	41544
SKr Accum	SKr114.94		1.36	45048
S$ Accum	S$26.337		2.30	40050
SPta Accum	Pta2818.0		4.40	30124
£ Accum	£13.498		5.20	41546
SKr Accum	SKr123.20		3.00	40054
SFr Accum	SFr29.473		0.50	41650
US$ Accum	$24.100		4.60	41575
Yen Accum	Y2891.9		0.15	41582

Prices for dealing May 15

Jupiter Asset Management (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd

	Selling Price	Buying Price	Yield Gr's	City-Line
Eurobond	$16.03	16.85	4.21	45873
Money	$14.40	15.12	2.90	45872
Mortgage	C$24.60	25.84	7.19	45875
North American	$14.81	15.56	0.00	45871
Overseas	$16.98	17.84	0.00	45876
Tiger	$16.79	17.84	0.00	45877
UK Small Cos	£1.46	1.58	0.08	00735

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Rothschild Asset Management - Contd.
Five Arrows International Reserves Ltd

	Selling Price	Buying Price	Yield Gr's	City-Line
FAIRL £	£46.336		6.20	45664
FAIRL A$	A$61.003		4.93	45665
FAIRL C$	C$87.447		1.85	45666
FAIRL DFl	Dfl101.477		1.98	45667
FAIRL DKr	DKr403.92		2.38	45668
FAIRL DM	DM80.153		2.09	45669
FAIRL ECU	Ecu62.479		3.05	45670
FAIRL BFr	BFr2084.6		1.94	45671
FAIRL Fin F	FM802.781		1.86	-
FAIRL FFr	FFr451.226		2.10	45672
FAIRL HK$	HK$185.78		4.09	45673
FAIRL Lira	L140976		3.97	45674
FAIRL NZ$	NZ$48.197		5.62	46781
FAIRL NKr F	NKr404.374		1.95	-
FAIRL OO	S$96.305		2.40	45676
FAIRL R F	R322.065		14.93	-
FAIRL Pta	Pta4619.73		4.50	46785
FAIRL SF	SFr77.984		0.50	45678
FAIRL SKr	SKr206.39		3.03	46782
FAIRL U.S.$	$64.342		4.57	45677
FAIRL Yen	Y10714.08		0.00	45679
FAIRL Man £	£28.876		4.83	45679
FAIRL Man DM	DM67.412		2.02	45680
FAIRL Man $	$31.845		4.11	45681
FAIRL Man Int	$21.189		2.68	44064

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OTHER OFFSHORE FUNDS

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 16 / Sch)

BELGIUM/LUXEMBOURG (May 16 / Frs.)

CZECH REP (May 16 / Korues)

DENMARK (May 16 / Kr)

FINLAND (May 16 / Mka)

FRANCE (May 16 / Frs.)

GERMANY (May 16 / Dm.)

GREECE (May 16 / Drachma)

ITALY (May 16 / Lira)

NETHERLANDS (May 16 / Fls.)

NORWAY (May 16 / Kroner)

POLAND (May 16 / Zloty)

PORTUGAL (May 16 / Escudo)

SPAIN (May 16 / Pts.)

SWEDEN (May 16 / Kronor)

SWITZERLAND (May 16 / Frs.)

TURKEY (May 16 / Tk Lira)

PACIFIC

JAPAN (May 16 / Yen)

AUSTRALIA (May 16 / Aust$)

HONG KONG (May 16 / H.K.$)

INDONESIA (May 16 / Rupiah)

MALAYSIA (May 16 / MYR)

NEW ZEALAND (May 16 / NZ $)

SINGAPORE (May 16 / S$)

SOUTH KOREA (May 16 / Won)

TAIWAN (May 16 / TW $)

THAILAND (May 16 / Baht)

AFRICA

SOUTH AFRICA (May 16 / Rand)

NORTH AMERICA

CANADA

TORONTO (May 16 / Can $)
4 pm close

MONTREAL (May 16 / Can $)
4 pm close

INDICES

	May 16	May 15	May 14	1997 High	1997 Low
Argentina					
General(29/12/77)	21632.88	21582.00	21444.88	21632.88 16/5	18237.37 2/1
Australia					
All Ordinaries(1/1/80)	2538.1	2525.0	2530.4	2538.10 16/5	2282.20 1/4
All Mining(1/1/80)	932.8	917.8	920.2	987.10 24/2	878.40 16/4
Austria					
Credit Aktien(30/12/84)	418.68	413.75	419.23	419.88 12/5	374.49 9/1
Traded Index(2/1/91)	1251.38	1249.39	1261.47	1261.47 14/5	1138.22 9/1
Belgium					
BEL20(1/1/91)	2240.30	2251.30	2247.70	2254.87 5/5	1871.08 2/1
Brazil					
Bovespa(29/12/83)	10489.0	10354.0	10283.0	10881.00 12/5	0.00 29/4
Canada					
Metals Minls♦(1975)	5485.90	5477.26	5458.84	6881.25 10/3	4845.98 11/4
Composite♦(1975)	6247.40	6276.70	6248.20	6332.80 10/3	5879.30 14/4
Portfolio$$(4/1/83)	3154.38	3186.02	3156.16	3214.10 10/3	2846.92 11/4
Chile					
IGPA Gen♥(31/12/80)	5366.38	5334.98	5335.66	5443.52 25/2	4912.42 2/1
Denmark					
CopenhagenSE(3/1/83)	579.00	566.06	588.06	579.00 16/5	470.14 2/1
Finland					
HEX General(28/12/90)	3064.54	3044.33	3032.46	3064.54 16/5	2493.28 2/1
France					
SBF 250(31/12/90)	1838.29	1834.01	1834.58	1838.29 16/5	1593.19 2/1
CAC 40(31/12/87)	2784.28	2776.01	2774.63	2784.28 16/5	2256.87 2/1
Germany					
FAZ Aktien(31/12/58)	1223.57	1219.48	1223.77	1229.87 16/5	986.21 2/1
Commerzbank(1/12/53)	3805.20	3579.60	3590.90	3805.78 13/5	2825.90 2/1
DAX‡(30/12/87)	3604.55	3582.11	3573.69	3604.55 16/5	2848.77 2/1
Greece					
Athens SE(31/12/80)	1638.79	1643.51	1634.69	1643.51 15/5	984.54 2/1
Hong Kong					
Hang Seng(31/7/64)	14082.37	14041.90	14153.58	14153.68 14/5	12055.17 3/4
India					
BSE Sens.(1979)	3759.54	3741.22	3740.53	3944.61 4/3	3225.34 2/1
Indonesia					
Jakarta Comp.(10/8/82)	657.07	638.98	670.28	712.80 26/2	631.27 15/4
Ireland					
ISEQ Overall(4/1/88)	3251.31	3241.91	3240.66	3251.31 16/5	2726.87 2/1
Italy					
Banca Comm. Ital(1972)	782.38	775.33	774.31	787.71 10/2	642.66 2/1
MIB General(2/1/97)	1178.0	1187.0	1185.0	1192.00 10/2	991.00 2/1
Japan					
Nikkei 225(16/5/49)	20324.73	20056.31	20209.72	20324.73 16/5	17303.65 10/1
Nikkei 300(1/10/82)	290.99	288.45	291.65	293.84 6/5	251.04 27/1
Topix(4/1/68)	1503.29	1488.18	1502.31	1509.13 6/5	1320.82 10/4
2nd Section(4/1/68)	1749.02	1728.34	1724.54	1828.21 6/1	1518.00 15/4
Malaysia					
KLSE Comp.(4/4/86)	1041.91	1041.27	1072.49	1271.57 25/2	1041.27 15/5
Mexico					
IPC(Nov 1978)	(u)	3887.20	3894.20	3938.08 25/2	3358.46 2/1
Netherland					
CBS TtlRtnGen(End 83)	929.1	928.9	928.0	929.10 16/5	738.80 2/1
CBS All Shr(End 83)	537.4	537.3	539.6	539.80 14/5	429.80 2/1
New Zealand					
Cap. 40(1/7/86)	2314.84	2310.72	2300.99	2448.21 20/1	2207.48 1/4
Norway					
Oslo SE(ind)(2/1/83)	1902.22	1880.10	1897.31	1941.49 20/2	1630.03 2/1
Philippines					
Manila Comp(2/1/85)	2576.13	2631.09	2705.92	3447.50 3/2	2576.13 16/5
Portugal					
BVL 30(4/1/93)	2893.44	2906.26	2902.07	2906.26 15/5	2165.57 2/1
Singapore					
SES All-S'pore(2/4/75)	499.42	502.44	313.24	573.03 17/2	476.94 29/4
South Africa					
JSE Gold(28/9/78)	1228.3♥	1254.0	1270.1	1588.10 27/2	1181.50 2/5
JSE Ind(28/9/78)	8421.2♥	8440.6	8493.9	8588.70 6/5	7858.50 3/1
South Korea					
KoreaCompEx**(4/1/80)	699.53	699.95	(c)	721.09 14/2	611.05 7/1
Spain					
Madrid SE(30/12/85)	543.91	(c)	546.76	548.60 13/5	434.54 2/1
Sweden					
AffarsvarldsGen(1/2/37)	2833.6	2835.0	2818.1	2835.00 15/5	2378.80 2/1
Switzerland					
SMI Index(1/7/88)	5157.5	5141.7	5134.3	5157.50 16/5	3922.90 7/1
SPI General(1/6/87)	3255.91	3245.92	3239.68	3255.91 16/5	2800.22 6/1
Taiwan					
WeightedPr.**(30/6/66)	8081.79	7886.10	8181.62	8081.72 28/4	6844.75 6/1
Thailand					
Bangkok SET(30/4/75)	561.19	557.87	571.30	888.87 22/1	557.87 15/5
Turkey					
IMKB Nat 100(1986)	1482.00	1515.00	1437.00	1654.00 21/3	985.00 2/1
WORLD					
MS Capital Intl$(1/1/70)	901.0*	899.0	895.6	901.00 16/5	794.50 14/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	2352.25	2328.95	2328.46	2352.25 16/5	1893.80 2/1
Euro Top-100(26/6/90)	2007.12	2008.84	2004.66	2007.12 16/5	1582.98 2/1
HSBC JC Drgn(31/12/88)	(u)	400.67	408.58	429.48 20/1	381.54 29/4
ING Brngs Emrg(7/1/92)	174.39	173.82	175.98	181.33 26/2	159.74 3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
May	2779.0	2780.0	+11.0	2797.0	2765.0	16,389	24,451
Jun	2757.5	2755.5	+11.0	2772.0	2743.0	1,936	27,378
■ DAX							
Jun	3605.0	3589.0	-2.0	3635.0	3562.5	20,489	152,933
Sep	3628.5	3595.0	-1.5	3556.0	3595.0	547	8,512
■ OMX							
May	2228.00	2204.50	-6.50	2233.00	2200.75	3,841	17,960
Jun	2236.00	2213.00	-8.00	2241.50	2209.25	2,511	7,587
■ SOFFEX							
May	5175.0	5182.2	+48.8	5182.5	5170.5	2,704	5,146
Jun	5168.0	5128.0	+9.0	5182.9	5125.0	5,945	20,339

** Sat May 10: Taiwan Weighted Price 8274.19; Korea Comp Ex. 678.98. Base values of all indices are 100 except Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall; Toronto Comp./Met & Mins, DAX – at 1,000; SMI – 1500; JSE Gold – 255.7; JSE 20 Ind – 264.3; IMKB-Nat 100 – 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp – 100. $$ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: May 16 - 3599.26 +4.41. † Correction. * Calculated at 18.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	May 16	May 15	May 14	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7194.67	7333.55	7286.16	7333.55 (15/5)	6391.69 (11/4)	7333.55 (15/5/97)	41.22 (8/7/32)
Home Bonds	102.10	102.31	102.10	103.63 (19/2)	101.50 (14/4)	108.77 (16/10/93)	54.99 (1/10/81)
Transport	2624.63	2624.63	2616.61	2634.80 (12/5)	2222.07 (2/1)	2634.80 (12/5/97)	13.23 (8/7/32)
Utilities	221.94	222.72	222.61	240.85 (22/1)	209.47 (25/4)	258.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7332.31 (7363.63) Low 7170.77 (7225.99) (Theoretical♠)
Day's high 7329.01 (7338.43) Low 7190.55 (7254.01) (Actual♠)

Standard and Poors	May 16	May 15	May 14	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	829.75	841.88	836.04	841.88 (15/5)	737.01 (2/1)	841.88 (15/5/97)	4.40 (1/6/32)
Industrials♥	977.49	991.82	982.99	991.82 (15/5)	865.42 (11/4)	991.82 (15/5/97)	3.52 (30/6/32)
Financial	93.08	94.78	94.91	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	432.44	437.65	435.60	437.65 (15/5)	388.47 (11/4)	437.65 (15/5/97)	4.64 (25/4/42)
Amex Comp.	586.72	583.47	581.97	609.63 (10/3)	541.30 (28/4)	617.61 (22/5/96)	524.20 (16/7/96)
NASDAQ Comp	1340.73	1353.58	1335.55	1388.06 (22/1)	1201.50 (2/4)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	May 6	May 2	Apr 25	Year ago
Dow Jones Ind. Div. Yield	1.71	1.73	1.82	2.20
	May 14	May 7	Apr 30	Year ago
S & P Ind. Div. yield	1.68	1.72	1.75	1.92
S & P Ind. P/E ratio	23.89	23.33	22.89	21.26

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Hewlett-Pk	17,983,100	52½	-5⅞
GEC	8,498,400	60½	-1½
AT & T	7,532,100	54⅜	-2⅜
Nike B	6,874,100	54⅞	-2⅝
Ryl Dutch	5,048,300	189¼	-1¼
Exxon	4,862,400	58⅞	-¼
CocaCola	4,720,400	66⅝	-1
Gen Cable	4,462,200	21¾	+¾
Mercury Fn	4,189,000	2⅜	+¼
Compaq	3,880,600	94	-1¼

■ TRADING ACTIVITY

● Volume (million)	May 16	May 15	May 14
New York SE	485.778	458.143	408.747
Amex	(u)	(u)	(u)
NASDAQ	(u)	621.354	634.470
NYSE			
Issues Traded	3,344	3,341	3,322
Rises	977	1,285	1,475
Falls	1,439	1,173	999
Unchanged	928	883	848
New Highs	95	105	162
New Lows	10	7	8

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	844.50	832.05	-12.70	846.15	830.60	65,408	184,783
Sep	851.60	840.60	-12.85	852.60	838.45	709	9,143
■ Nikkei 225							
Jun	20150.0	20370.0	+310.0	20400.0	20140.0	22,465	239,398
Sep	20200.0	20400.0	+290.0	20410.0	20200.0	117	9,306

Open interest figures for previous day.

Prices supplied by Telekurs, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. 1 Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, May 16, 1997.

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	9.4m	369	-2
Tokio M&F Ins	5.7m	1,410	+50
Nomura Sec	5.3m	1,420	+30
Mitsubishi Hvy	5.2m	857	+2
Kawasaki Steel	4.4m	369	
Bk Tok-Mitsubishi	4.3m	2,110	+40
Sumitomo Mtl Ind	4.1m	305	-4
Tokyo Gas	4.0m	304	+7
Fujitsu	3.9m	1,360	
Keisei El Rl	3.8m	669	+39

4 pm close May 16

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE PRICES

4 pm close May 16

[illegible]

Price data supplied by [illegible], part of FT Information.

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NASDAQ NATIONAL MARKET

4 pm close May 16

[illegible]

AMEX PRICES

4 pm close May 16

[illegible]

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ *Members are made up of Brokers and Banks from across Europe.*

Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$4.375	-2.125	24000	8.25	4.375
Artwork Systems	US$10.75	+0.125	40055	11	9.5
Chemunex	FFr10		0	18	18
Dr Solomon's ADS	US$22.825	-0.125	0	26.5	16.875
Esprit Telecom ADS	US$5.5		0	12.25	5.375
Innogenetics	US$11.375		21500	12.75	10.375
Mercer Internl.	US$10		8	11.75	8.125
Pixtech	US$4.5		8	6.125	4.25

Prices for 16/5/97. Please note that mid prices are now used to calculate highs and lows

Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 201 and in London (Tel. 44-171 / 489 9990).

FT GUIDE TO THE WEEK

MONDAY 19

Focus on coffee price

The blistering speculative rally in coffee prices will be scrutinised today as the International Coffee Organisation starts a week of meetings. The executive board, representing the world's 16 main coffee growing countries, kicks off with a two-day meeting. On Thursday and Friday the plenary council meets, with delegates from the 62 nations affiliated to the organisation. Topics include a review of the market situation, crop estimates, how the Internet can be used more effectively and new efforts to encourage organic coffee growing.

FT Survey

Malaysia

Public holidays

Whit Monday holiday in many countries including Belgium, Denmark, France, Hungary, Luxembourg, Netherlands, Norway, Sweden, Switzerland. Canada (Victoria Day), Turkey (Youth and Sports Day).

TUESDAY 20

Vintage composition

The greatest single-owner wine collection to appear at auction goes under the hammer this evening (and Wednesday) when Sotheby's offers more than 18,000 bottles from the cellars of Lord Lloyd-Webber, the composer. Lord Lloyd-Webber has been collecting wine since his teenage years. The sale should bring in more than £2m. Among the rarities is a bottle of Château Margaux 1900, estimated at up to £3,000; a case of Château Cheval Blanc 1947, estimated at up to £30,000; and a bottle of Château d'Yquem 1900, at up to £3,000. The wine covers the finest growths of Bordeaux and Burgundy, plus champagnes and sauternes.

Rightwing invitation

Representatives of 19 Japanese rightwing groups leave for China, for six days of talks with academics, military officials and students at the invitation of the Chinese government's Institute of Foreign Affairs. The visit comes at a time of renewed controversy over claims by Japanese nationalists to the Senkaku Islands in the East China Sea, an outcrop of small islands also claimed by China and Taiwan. The mission will be led by the head of an Osaka-based group, called the Homeland Defence Squad.

Chip symposium

Semiconductor industry groups from Japan, US, Europe and South Korea begin a two-day symposium in Tokyo to discuss the next-generation of advanced personal computers and wireless communications. They will focus on the creation of new chip markets and feature presentations from leading companies including Motorola, Intel and NTT.

Testing the taste buds. Chefs sample edible flowers to be served at this week's Chelsea Flower Show in London

Telephone 'bomb'

The prospect that it could be impossible to telephone some countries after the turn of the century because of the "millennium bomb" is on the agenda at expert meetings of the International Telecommunication Union in Geneva. The "bomb", which stems from the way dates have been stored in compnter systems, was thought to apply only to older business systems. Modern telecoms switches, however, are simply compnters controlled by software. The ITU group will consider the consequences of a failure to co-ordinate corrective measures across the globe.

Paving the way

EU foreign ministers meet in the Hagus to discuss a Dutch draft for a revised Maastricht treaty. The meeting is supposed to pave the way for a smooth EU summit in the Dutch coastal town of Noordwijk on Friday.

FT Survey

Rhône-Alpes

WEDNESDAY 21

Russian budget battle

Russian Prime Minister Viktor Chernomyrdin is due present the 1997 budget proposals to the Russian parliament. The Russian government earlier this month sent a bill to parliament that would cut spending of the under-funded 1997 budget by one-fifth and could foster one of the year's biggest political battles. The opposition Communist Party, the largest single group in the chamber, has vowed to resist the proposals.

Soccer

Japan is to host a commemorative soccer match with South Korea at Tokyo's National Stadium. The two countries are to co-host the 2002 World Cup and today are fielding national teams to mark their World Cup agreement. It is tbe first time the top soccer event bas been held in Asia.

FT Survey

Irish Food Industry

Public holidays

Chile, Malaysia, Singapore, Sri Lanka, Yemen

THURSDAY 22

IEA pushes China link

The International Energy Agency begins a two-day ministerial meeting at which member states are expected to call for stronger co-operation with China on energy policy. Ye Qing, vice minister of China's State Planning Commission, is due to attend as an observer. A ministerial declaration is expected to announce that the IEA can "share experience" in areas such as promoting greater energy efficiency - an increasingly important issue as western governments prepare to negotiate on greenhouse gas emissions associated with global warming. It is estimated China will account for 20 per cent of world demand for oil in 25 years. The declaration is expected to call for a better understanding of the effect this will have on energy markets.

Corporate peak

Peak of Japan's annual corporate results reporting season when, during a five-week period, thousands of companies announce financial results for the 1996 business year to March.

Cricket

First one-day international between Australia and England at Headingley. Second at the Oval on Saturday and the third at Lord's (Sunday).

FT Survey

Private Health Insurance (UK only)

Public holidays

Indonesia, Sri Lanka, Yemen

FRIDAY 23

Maastricht revisions

Mr Tony Blair, the new British Labour prime minister, makes his debut on the European stage at an EU summit in Noordwijk. The Dutch presidency hopes the meeting will narrow differences so that a "Maastricht II" treaty can be concluded at next month's summit in Amsterdam. The new treaty provides for closer co-operation on justice, immigration, and asylum matters, and a modest overhaul of EU decision-making to prepare for enlargement to central and eastern Europe.

Iran goes to the polls

More than 30m Iranians will be entitled to elect a successor to president Hashemi Rafsanjani, whose second four-year term expires in August. He is barred by the constitution from standing again. Of the four candidates, the favourite is Mr Ali Akbar Nateq Nouri, speaker of the 270-member *majlis* parliament. He is backed by Iran's clerical establishment and by the majority conservative section in parliament. His main rival is Mr Mohammad Khatami, supported by technocrat reformists, who want more open-minded domestic and foreign policies, and by leftwing groups. If no candidate wins an absolute majority, there will be a second vote.

Rongji visits Australia

Mr Zhu Rongji, China's vice-premier, begins a week-long official visit to Australia. He is the second senior Chinese leader to visit Australia, following a trip earlier this year by Mr Ding Guangen, and will meet Mr John Howard, prime minister, as well as Australia's foreign minister and treasurer. China is Australia's fifth largest trading partner and its second largest agricultural export market, but relations have been fragile recently – partly because of human rights issnes and a visit to Australia by the Dalai Lama, the exiled Tibetan Buddhist leader.

Key issues for Slovakia

Two days of voting begin in Slovakia in two referendums. One will decide whether to hold a direct election to fill the office of president when the incumbent, Mr Michal Kovac, steps down early next year. It has been organised by opposition parties seeking to prevent prime minister Vladimir Meciar from assuming presidential powers should parliament be unable to agree a nominee for the office. The second is about whether Slovaks wish to join Nato, and on what terms. This vote is the initiative of Mr Meciar, who is seeking a mandate to press his country's claims to membership which most observers believe is unlikely in the first wave of the alliance's expansion.

FDP conference

Germany's Free Democratic Party – junior member of Chancellor Helmut Kohl's ruling coalition – gathers for a conference in Wiesbaden amid renewed tensions within the Bonn government. Not only is Germany facing budget pressures, there is unrest over the low-key role played by Mr Günter Rexrodt, who serves as federal economics minister. The three-day meeting is part of the build up to federal elections in autumn 1998.

China trade talks

A week of bilateral negotiations between China and its trading partners culminates in a meeting of the World Trade Organisation working party which is drafting Beijing's WTO membership terms. Good progress was made at the last talks in early March. But trade officials say much more is needed if China is to join the WTO in the first half of next year. Among the remaining obstacles are access to China's domestic market for goods and services, controls on subsidies and transitional arrangements while China phases in WTO commitments.

FT Survey

International Capital Markets

Public holidays

Jamaica, Morocco

SATURDAY 24

Rugby Union

Eastern Province Invitation XV play British Lions, Port Elizabeth, South Africa

Public holidays

Belize, Bermuda, Bulgaria, Ecuador

SUNDAY 25

French vote

France holds the first round of its election for the 577 seats in the National Assembly. A few dozen candidates are likely to win seats with absolute majorities in the first round, but in most cases the highest scoring candidates will go to the final run-off on June 1. During a campaign dominated by the issues of unemployment and Europe, the polls have favoured centre-right coalition led by Prime Minister Alain Juppé to win over the Socialists and Communists and thus gain a further term in office.

Polish referendum

Poles will be voting in a referendum on a new constitution designed to underpin the democratic and free market changes introduced after 1989. The document drafted in parliament by the reformed communists, working with the opposition, looks set to be approved. It has come under fire from rightwing movements outside parliament, led by Solidarity, for failing to make a clean break with the past. Solidarity and its allies stand a good chance of forming the next government after elections in September.

Compiled by Bob Vincent.
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ECONOMIC DIARY

Other economic news

Monday: Germany's important Ifo business climate index is due to be released this week, and is expected to have resumed its recent upwards trend during April. March's index showed a fall, to 92.4, but a return to February's level of 93.6 is forecast. Other economic news out includes M3 money supply figures and producer prices.

Tuesday: FOMC meeting in Washington will be the epicentre of attention, with a strong expectation in the market of a further rise in US interest rates.

Wednesday: The Italian 11 Cities preliminary inflation report for May may show a continuing fall in the Italian consumer price index, to 1.5 per cent from 1.7 per cent.

Thursday: UK retail sales for April should give evidence of the expected pick-up in consumer spending. The CBI's monthly manufacturing trends survey is also out, with export order books suffering from the strength of sterling.

Friday: Japan's EPA leading indicator is predicted to remain above the boom-bust 50 per cent level for the third consecutive month in March.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Apr Public sector borrowing req'ment	£1.4bn	£8.8bn	May 22	France	Mar Industrial production*	-0.3%	1.6%
May 19	Japan	May Whlsale price ind - 1st ten days		0.1%		France	Mar Industrial Production ex energy*	-0.1%	3.7%
Tue	Japan	Mar Industrial production†		-1.5%		Germany	Apr Ifo West business climate index	93.5	92.4
May 20	Japan	Mar Shipments†		-1.2%		Germany	Apr Ifo West balance format	-9.0	-10.2
	Canada	Mar Wholesale trade*†	1.9%	3%		UK	Apr Retail sales*	0.3%	0.4%
	US	BOT Mitsubishi 17 May		Unch		UK	Apr Retail sales**	4.1%	4.0%
	US	Redbook 17 May		0.9%		UK	Q1 Gross dom prod (provisional)***	1.0%	1.0%
	Spain	Mar Industrial production**†	3.6%	1.9%		UK	Q1 Gross dom prod (provisional)**	3.0%	3.0%
Wed	Denmark	Apr Consumer price index**	1.9%	1.7%		US	Initial claims 17 May	323k	319k
May 21	UK	Apr M4*	0.6%	1.0%		US	State benefits 10 May		2314k
	UK	Apr M4**	11.4%	11.2%		Canada	Mar Intl securities transactions	C$1.3bn	C$1.1bn
	UK	Apr M4 lending	£5.6bn	£4.5bn		Canada	Apr Leading indicators*†	0.9%	0.9%
	US	Mar Trade: goods and services	-$10.5bn	-$10.4bn		US	M1 Week ended 12 May	$4.0bn	-$6.5bn
	US	Mar Goods & Ser Exp bal of paymnts	$73.5bn	$73.5bn		US	M2 Week ended 12 May	$6.0bn	-$10.4bn
	US	Mar Goods & Ser Imp bal of paymnts	$84.0bn	$83.9bn		US	M3 Week ended 12 May	$10.7bn	-$1.9bn
	Canada	Mar Merchandise exports	0.9%	0.6%	Fri	Japan	Mar Coincident index		75.0%
	Canada	Mar Merchandise imports*†	0.7%	-0.3%	May 23	Japan	Mar Leading differential index		44.4%
	Canada	Mar Merchandise trade surplus	$2.3bn	$2.2bn	During the week...				
	Canada	Mar Retail sales*†	0.9%	1.1%		Germany	May Bavaria cost of living**		1.1%
	US	Apr Export price index		Unch		Germany	Apr Private lending 6mths annualised	8.3%	8.3%
	US	Apr Import price index		-1.4%		Japan	May Trade bal - 1st ten days nott		-Y253bn
	US	Apr Treasury budget	$95.0bn	-$21.3bn		Japan	Apr Supermarket sales**		8.4%
	Mexico	Mar Retail sales**	0.70%	-3.4%		Germany	Apr Producer price index*	0.1%	0.0%
	Nthlands	Apr Unemployment rate	6.1%	6.2%		Germany	Apr producer price index**	0.7%	0.7%
Thurs	Astrlia	Q1 AWOTE (wages) final	0.6%	1.2%					

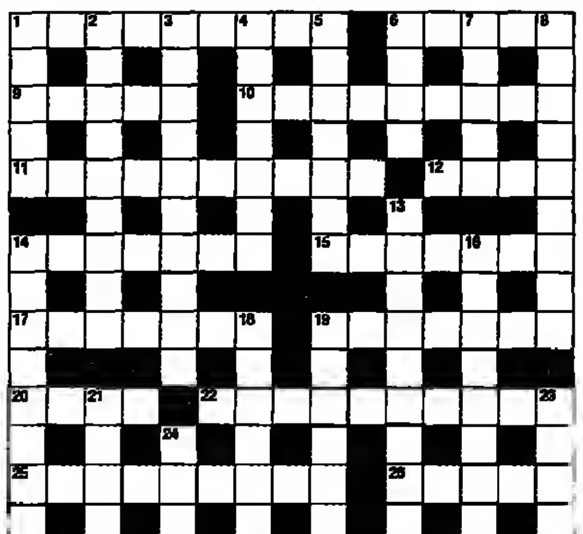
*month on month, **year on year, ***qtr on qtr, †seasonally adjusted. *Statistics, Standard & Poor's MMS.*

ACROSS

1 Weather forecaster to ring me in traffic (9)
6 Carry flat ball away (5)
9 Insult girls returning around noon (5)
10 Fragrance of elder once replanted (9)
11 Restored rest in date order (10)
12 Gateshead supporter's first game (4)
14 Check cycle bearing for ex-serviceman (7)
15 Bung salesman a lot to come back (7)
17 Found local man (50) missing (7)
18 Mother leaves Mary behind bar, returning to spree (7)
20 Record books, good in two ways (4)
22 First clever alternative for a level crossing? (10)
25 Amusing or eccentric fool (9)
26 At back it has cold storage space (5)
27 It bappens sbe was first sent 50% (5)
28 Houses foreign car before a riot breaks out (9)

DOWN

1 In Aqaba servants are more contemptible (5)
2 Sensible article is replaced (9)
3 Publication by first-class JP (10)
4 Ground containing royal coaches (7)
5 Engineers go on deck, which is correct (7)
6 Quickly eat tea, first to throw up! (4)
7 Shot of Victor, topless (5)
8 Trainee butcher rang Grey about cap (9)
13 Well-informed artists' society in nunnery (10)
14 Greeting card loaned, in vain, to sweetheart (9)
16 Material obtained from Interpol yesterday (9)
18 Della's worried about heartless mum's predicament (7)
19 Vicar dies after dressing's changed (7)
21 Colour of mooey, for example, is brought up (5)
23 Force about 101 articles under dashboard (5)
24 Grab it when Jack goes, showing courage (4)



WINNERS 9,366: Mrs C.M. Hibberd, Woodhall Spa, Lincolnshire; A.P. Monk, Newport, Essex; Mr and Mrs I. Murray, Eastleigh, Hampshire; Ian D. Thomson, Clitheroe, Lancashire

MONDAY PRIZE CROSSWORD
No.9,378 Set by GRIFFIN

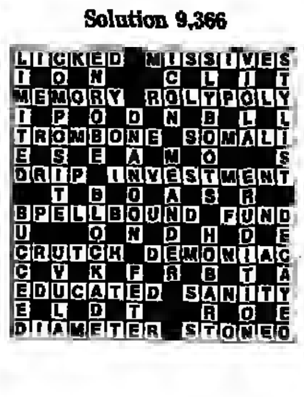
Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday May 29, marked Monday Crossword 9,378 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday June 2. Please allow 28 days for delivery of prizes.

Name.................................

Address.................................

....

Solution 9,366



JOTTER PAD